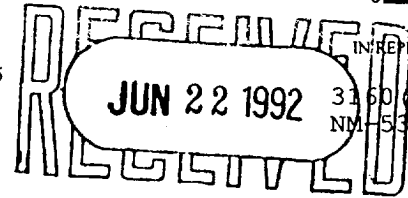




United States Department of the Interior

BUREAU OF LAND MANAGEMENT

NEW MEXICO STATE OFFICE
1474 RODEO RD.
P.O. BOX 27115
SANTA FE, NEW MEXICO 87502-7115



IN REPLY REFER TO:

3160 (067)
NM-53232

CERTIFIED--RETURN RECEIPT REQUESTED
P 864 869 067

JUN 10 1992

RECEIVED

JUN 22 1992

O. C. D.
SANTA FE OFFICE

Yates Petroleum Corporation
Attn.: Clifton R. May
105 South 4th Street
Artesia, NM 88210

RE: Kaleidoscope AKO Federal Well No. 1
NM-53232
1980' FNL & 660' FEL, Sec. 33, T21S, R30E
Eddy County, New Mexico

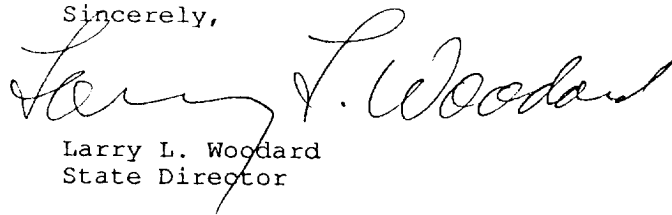
Dear Mr. May:

I am happy to approve your Application For Permit to Drill (APD) at the above referenced location. Your copy of the APD with attached stipulations is enclosed.

As you may be aware, there has recently been a significant increase in APD's in the Secretary's Oil/Potash area. Unfortunately, this has resulted in a lengthy processing time. If you have any APD's which need to receive a higher priority, such as this one, please contact or submit a list to the Carlsbad Resource Area.

If any additional information is required please contact Tony Herrell at the Carlsbad Resource Area, (505) 887-6544.

Sincerely,


Larry L. Woodard
State Director

1 Enclosure

1 - Application for Permit to Drill

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

1a. TYPE OF WORK DRILL <input checked="" type="checkbox"/> DEEPEN <input type="checkbox"/> PLUG BACK <input type="checkbox"/>		5. LEASE DESIGNATION AND SERIAL NO. NM - 53232	
b. TYPE OF WELL OIL WELL <input checked="" type="checkbox"/> GAS WELL <input type="checkbox"/> OTHER <input type="checkbox"/>		6. IF INDIAN, ALLOTTEE OR TRIBE NAME	
2. NAME OF OPERATOR Yates Petroleum Corporation		7. UNIT AGREEMENT NAME	
3. ADDRESS OF OPERATOR 105 South Fourth Street, Artesia, New Mexico 88210		8. FARM OR LEASE NAME Kaleidoscope AKO Federal	
4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.) At surface Unit Letter H; 1980' FNL and 660' FEL At proposed prod. zone		9. WELL NO. 1	
14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE* 25 miles northeast of Loving, NM		10. FIELD AND POOL, OR WILDCAT Undesignated Delaware	
15. DISTANCE FROM PROPOSED* LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT. (Also to nearest drlg. unit line, if any)		11. SEC., T., R., M., OR BLK. AND SURVEY OR AREA Sec. 33-T21S-R30E	
16. NO. OF ACRES IN LEASE 680		12. COUNTY OR PARISH Eddy	
17. NO. OF ACRES ASSIGNED TO THIS WELL 40		13. STATE NM	
18. DISTANCE FROM PROPOSED LOCATION* TO NEAREST WELL, DRILLING, COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT. 7500'		20. ROTARY OR CABLE TOOLS Rotary	
21. ELEVATIONS (Show whether DF, RT, GR, etc.) 3137' GR		22. APPROX. DATE WORK WILL START* ASAP	

PROPOSED CASING AND CEMENTING PROGRAM				
SIZE OF HOLE	SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
17 1/2"	13 3/8"	54.5# J-55	150'	Circulate - 250 sacks
11"	8 5/8"	32.0# J-55	3550'	Circulate - 1400 sacks
7 7/8"	5 1/2"	17 & 15.5# J-55	TD	Adequate cover (Tie Back)

Yates Petroleum Corporation proposes to drill and test the Delaware and intermediate formations. Approximately 150' of surface casing will be set and cement circulated. Approximately 3550' of intermediate casing will be set and cement circulated. If commercial, production casing will be run and cemented with adequate cover, perforated and stimulated as needed for production.

MUD PROGRAM: Native Mud to 150'; Brine to 3550'; cut Brine to TD.

BOP PROGRAM: BOP will be installed at the offset and tested daily to assure good mechanical working order.

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 Christen R. May TITLE Permit Agent DATE 3-18-92
(This space for Federal or State office use)

PERMIT NO. _____ APPROVAL DATE _____
APPROVED BY _____ TITLE _____ DATE 6-22-92
CONDITIONS OF APPROVAL, IF ANY:

*See Instructions On Reverse Side

Title 18 U.S.C. Section 1001, makes 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.

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

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

DISTRICT I

P.O. Box 1980, Hobbs, NM 88240

DISTRICT II

P.O. Drawer DD, Artesia, NM 88210

DISTRICT III

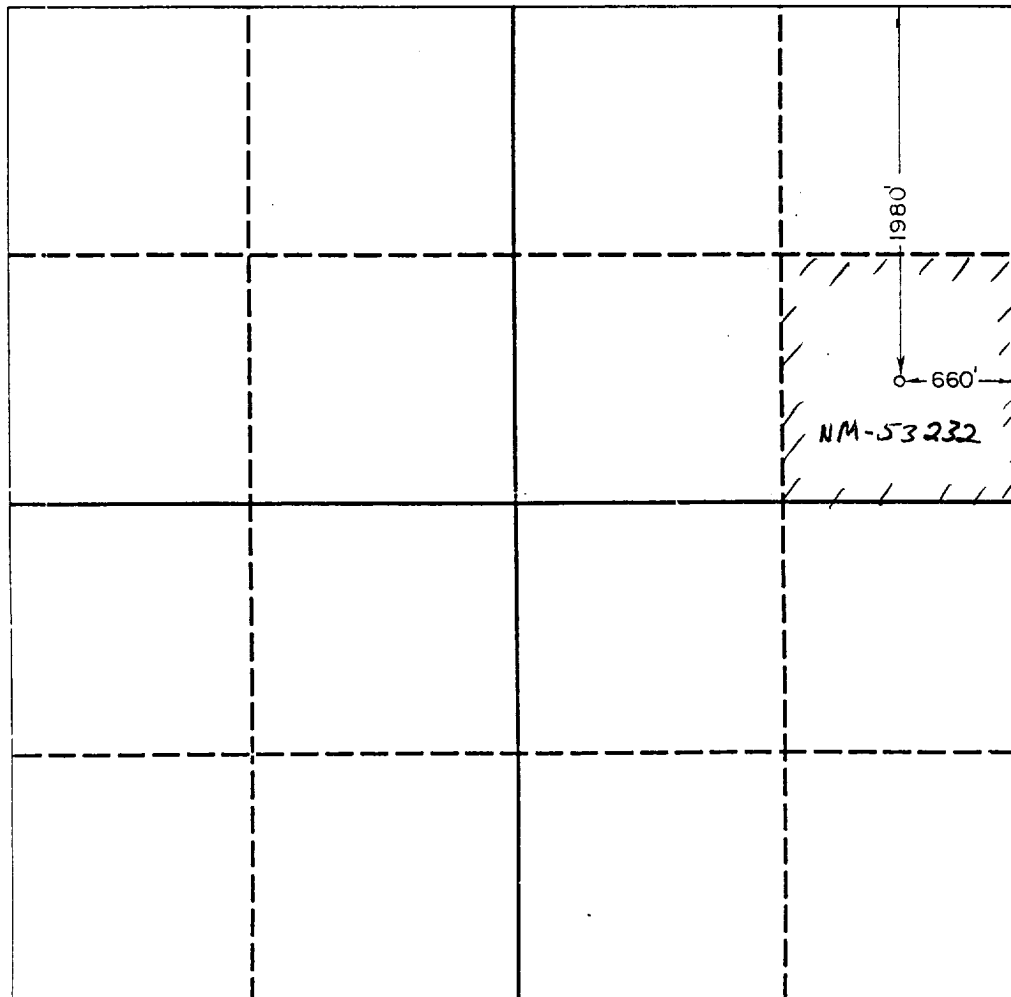
1000 Rio Brazos Rd., Aztec, NM 87410

WELL LOCATION AND ACREAGE DEDICATION PLAT

All Distances must be from the outer boundaries of the section

Operator YATES PETROLEUM CORPORATION			Lease KALEIDOSCOPE "AKO" FEDERAL		Well No. 1
Unit Letter H	Section 33	Township 21 SOUTH	Range 30 EAST	County NMPM EDDY	
Actual Footage Location of Well: 1980 feet from the NORTH line and 660 feet from the EAST line					
Ground level Elev. 3137	Producing Formation DELAWARE		Pool UNDESIGNATED DELAWARE	Dedicated Acreage: 90 Acres	

1. Outline the acreage dedicated to the subject well by colored pencil or hatchure 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 _____
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 interest, has been approved by the Division.



OPERATOR CERTIFICATION

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

Signature
Clifton R. May
Printed Name
Clifton R. May
Position
Permit Agent
Company
YATES PETROLEUM CORPORATION
Date
March 18, 1992

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 Surveyed
2/20/92
Signature & Seal of Professional Surveyor
Herschel J. Don
Certificate No. **3640**

YATES PETROLEUM CORPORATION

Kaleidoscope "AKO" Federal #1
1980' FNL and 660' FEL
Section 33-T21S-R30E
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 Sandy Alluvium:
2. The estimated tops of geologic markers are as follows:

Rustler	109'
Top of Salt	345'
Base of Salt	3,215'
Bell Canyon	3,490'
Cherry Canyon	4,455'
Brushy Canyon	6,291'
Bone Springs	7,262'
TD	7,500'

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

Water:	150'
Oil or Gas:	4531' and 6401'

4. Proposed Casing Program:

<u>Hole Size</u>	<u>O.D.</u>	<u>Weight (lb/ft)</u>	<u>Grade</u>	<u>Type</u>	<u>Setting Depth</u>
17 1/2"	13 3/8"	54.5#	J-55	ST&C	150'
11"	8 5/8"	32.0#	J-55	LT&C	3550'
7 7/8"	5 1/2"	15.5# & 17#	J-55	LT&C	TD

Surface pipe (0' - 150') will be cemented with 300 sacks C + 2% CaCl + 1/4 lb/sk Celloseal. Yield 1.33 cu.ft./sk. Weight will be 14.8 lb/gal. Quantity sufficient to circulate to surface.

Intermediate pipe (0' - 3550') will be cemented with 1200 sacks C-Lite + 10 lbs/sk salt + 1/4 lb/sk Celloseal. Yield 1.94 cu.ft./sk. Weight will be 12.9 lb/gal. Tailed in with 200 sacks C + 1% CaCl. Yield 1.32 cu.ft./sk. Weight will be 13.8 lb/gal. Quantity will be sufficient to circulate to surface.

Production pipe (0' - 7500') will be cemented with 200 sacks (or sufficient to cover zones of interest) Class H + 5 lb. CSE + .7% CF-14 + 10 lb/sk Gilsonite. Yield 1.45 cu.ft./sk. Weight will be 14.4 lb/gal.

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: Out from under surface casing to TD.

DST's: As warranted.

Coring: None anticipated.

Logging: Dual Induction Laterolog, Gamma Ray/Litho Density, Gamma Ray/Compensated Neutron with Caliper Log.

9. No abnormal pressures or temperatures are anticipated. No H₂S is expected to be encountered during drilling operations.
10. Anticipated starting date: As soon as possible after approval.

MULTI-POINT SURFACE USE AND OPERATIONS PLAN
Yates Petroleum Corporation
Kaleidoscope "AKO" Federal #1
1980' FNL and 660' FEL
Section 33-T21S-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 BLM map showing the well and roads in the vicinity of the proposed location. The proposed wellsite is located approximately 25 miles northeast of Loving, New Mexico and the access route to the location is indicated in red and green on Exhibit A.

DIRECTIONS:

Go out of Carlsbad, New Mexico on Hobbs Highway (62-180) to Road 31. Go south for approximately 8 miles to Cimarron Road (736). Go east approximately 5.5 miles thru cattle guard past ranch house. County Road goes south. Continue east on lease road approximately 1.5 miles (road forks past trailer house). Go left approximately 1.5 miles road T's. Turn left and go .4 of a mile to old location. Turn right and follow the road to the Julia "AJL" Federal #4 location. The new access road will start here on the south edge of pad.

2. PLANNED ACCESS ROAD

- A. The proposed new access will be approximately 4000' in length from point of origin to the southeast edge of the drilling pad. The road will lie in a westerly 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 both sides. Adequate traffic turnouts will be built.
- D. The route of the road is visible.
- E. One cattleguard will be needed.

3. LOCATION OF EXISTING WELL

- A. There is drilling activity within 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:

Request that BLM provide a pit in that area.

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:

- A. None required.

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 levelled.
- 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: Federal surface administered by the Bureau of Land Management.

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:

Clifton R. May, Permit Agent
Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210
Phone (505) 748-1471

B. Through Drilling Operations,
Completions and Production:

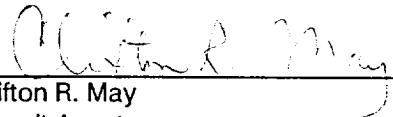
Mike Slater, Operations Manager
Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210
Phone (505) 748-1471

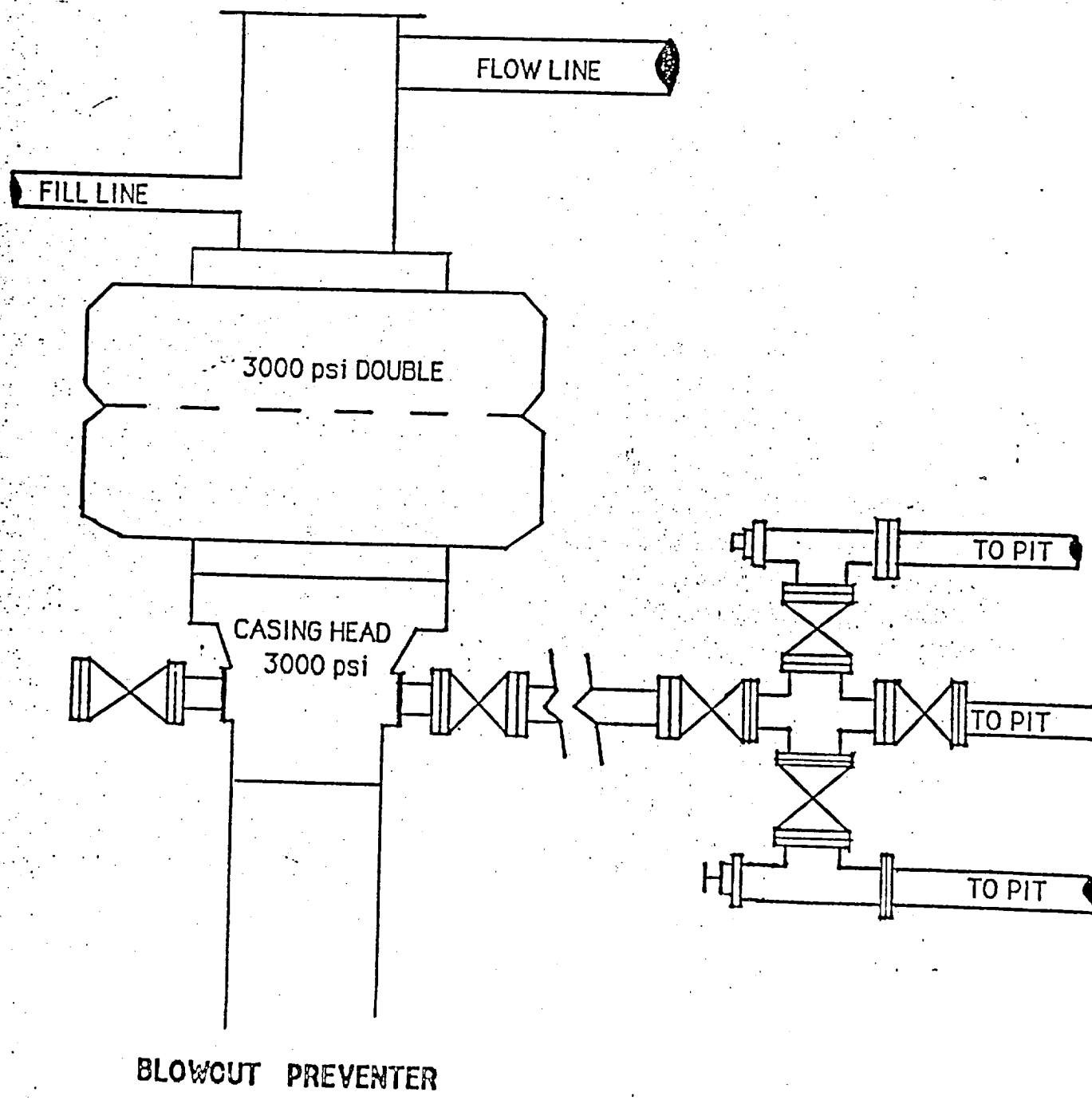
14. CERTIFICATION:

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.

3-18-92

Date


Clifton R. May
Permit Agent



YATES PETROLEUM CORPORATION

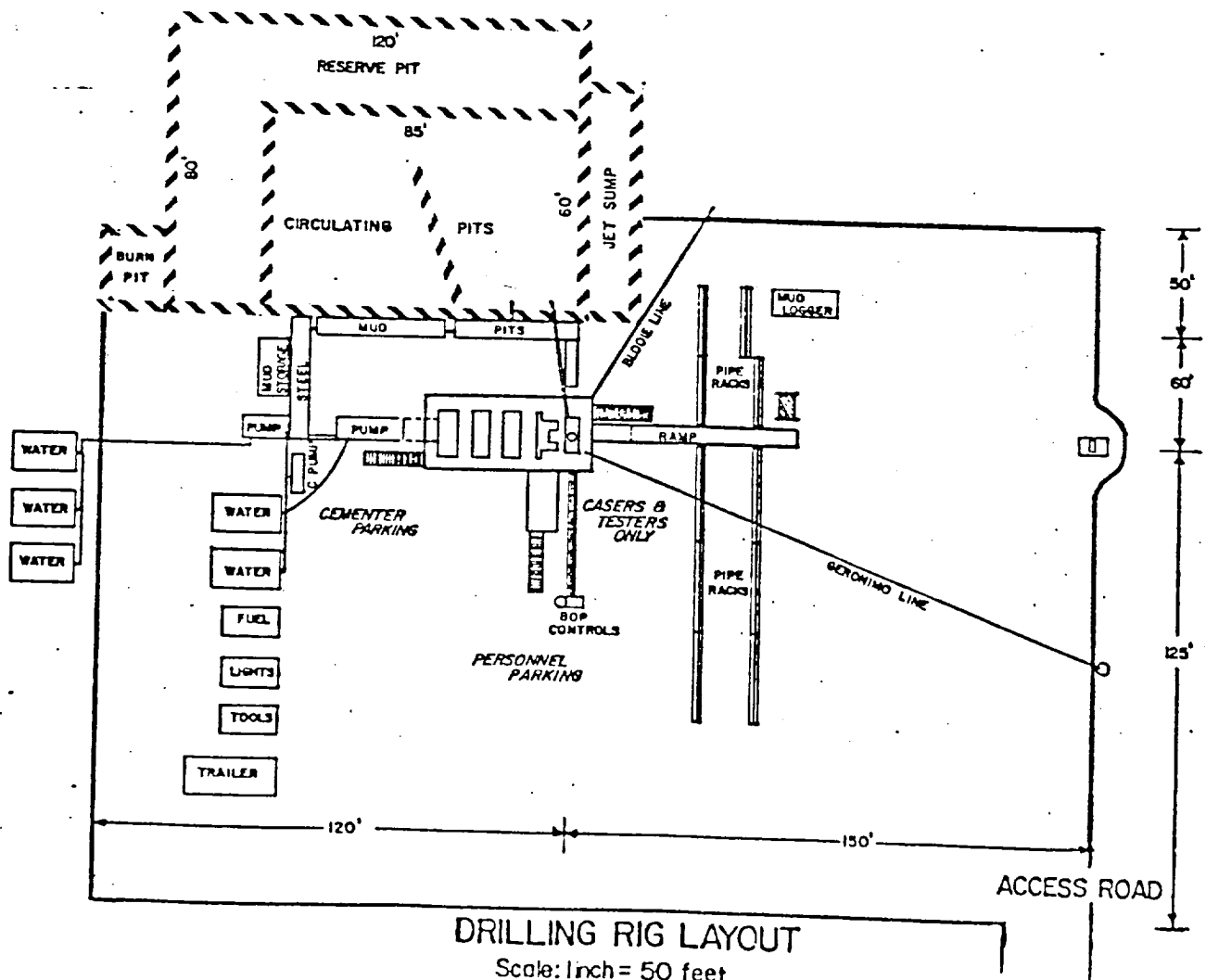
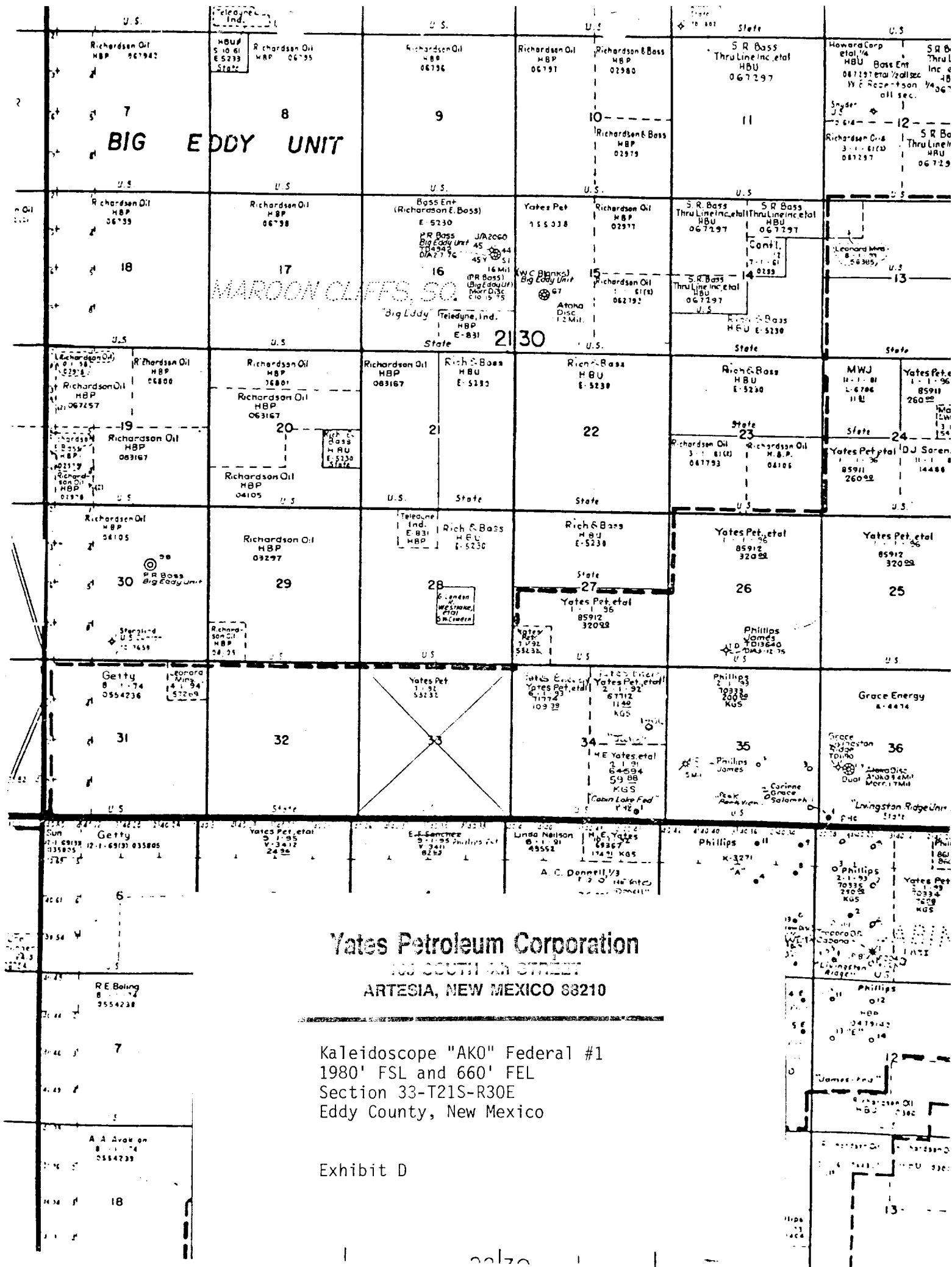


EXHIBIT C



MARTIN YATES, III
1912 - 1985
FRANK W. YATES
1936 - 1986



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210
TELEPHONE (505) 748-1471

S. P. YATES
CHAIRMAN OF THE BOARD
JOHN A. YATES
PRESIDENT
PEYTON YATES
EXECUTIVE VICE PRESIDENT
RANDY G. PATTERSON
SECRETARY
DENNIS G. KINSEY
TREASURER

March 2, 1992

Mr. Walt Thayer
IMC Fertilizer, Inc.
P.O. Box 71
Carlsbad, New Mexico 88220

Dear Mr. Thayer,

Yates Petroleum Corporation is the operator of the Oil and Gas Lease NM-53232. We have staked the following location:

Kaleidoscope AKO Federal #1
1980' FNL and 660' FEL
Section 33-T21S-R30E
Eddy County, New Mexico

An Application to Drill is being filed with the Bureau of Land Management.

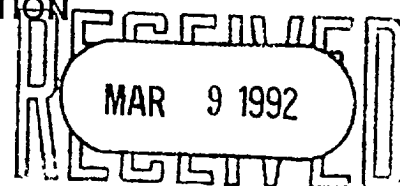
We have been advised that your company is the owner of record of certain potash leases in this area. We respectfully request that you waive any objection you may have to this proposed well location and so indicate by signing and returning one copy of this letter in the enclosed envelope.

Your favorable consideration of this request will be greatly appreciated. Should you have any questions, please call me at 748-1471.

Sincerely,

YATES PETROLEUM CORPORATION

Clifton R. May
Permit Agent



CRM:tg

NO OBJECTIONS OFFERED

IMC FERTILIZER, INC.

By: [Signature]
Title: MINE MANAGER
Date: 3-6-92

OBJECTIONS OFFERED

IMC FERTILIZER, INC.

By: _____
Title: _____
Date: _____

MARTIN YATES, III
1912 - 1985
FRANK W. YATES
1936 - 1986

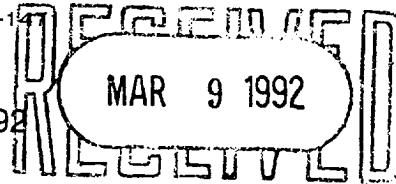


105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210

TELEPHONE (505) 748-1471

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CHAIRMAN OF THE BOARD
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PRESIDENT
PEYTON YATES
EXECUTIVE VICE PRESIDENT
RANDY G. PATTERSON
SECRETARY
DENNIS G. KINSEY
TREASURER

March 2, 1992



Mississippi Chemical Corporation
Randy Foote, General Manager
P.O. Box 101
Carlsbad, New Mexico 88220

Dear Mr. Foote:

Yates Petroleum Corporation is the operator of the Oil and Gas Lease NM-53232. We have staked the following location:

Kaleidoscope AKO Federal #1
1980' FNL and 660' FEL
Section 33-T21S-R30E
Eddy County, New Mexico

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We have been advised that your company is the owner of record of certain potash leases in this area. We respectfully request that you waive any objection you may have to this proposed well location and so indicate by signing and returning one copy of this letter in the enclosed envelope.

Your favorable consideration of this request will be greatly appreciated. Should you have any questions, please call me at 748-1471.

Sincerely,

YATES PETROLEUM CORPORATION

Clifton R. May
Permit Agent

CRM:tg

NO OBJECTIONS OFFERED

MISSISSIPPI CHEMICAL CORPORATION

By: Randy Foote
Title: Gen. Manager
Date: 3-6-92

OBJECTIONS OFFERED

MISSISSIPPI CHEMICAL CORPORATION

By: _____
Title: _____
Date: _____

YATES PETROLEUM CORPORATION
Kaleidoscope "AKO" Federal #1
1980' FNL and 660' FEL
Section 33-T21S-R30E
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.