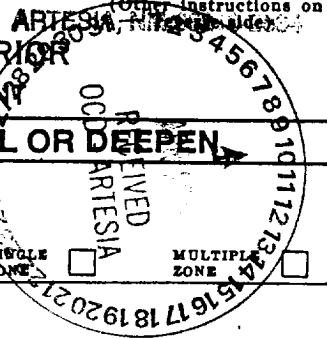


95F

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT



APPLICATION FOR PERMIT TO DRILL OR DEEPEN

1a. TYPE OF WORK
 DRILL DEEPEN

b. TYPE OF WELL
 OIL WELL GAS WELL OTHER

2. NAME OF OPERATOR
 YATES PETROLEUM CORPORATION 25575

3. ADDRESS AND TELEPHONE NO.
 105 South Fourth Street, Artesia, New Mexico 88210 (505)748-1471

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.)
 At surface: 1980' FSL and 1980' FEL
 At proposed prod. zone: Same Unit J

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*
 Approximately 30 miles northwest of Carlsbad, New Mexico.

15. DISTANCE FROM PROPOSED* LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT. (Also to nearest drlg. unit line, if any) 1980'

16. NO. OF ACRES IN LEASE 320

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. 8300'

19. PROPOSED DEPTH 8300'

20. ROTARY OR CABLE TOOLS Rotary

21. ELEVATIONS (Show whether DF, RT, GR, etc) 4007' GR

22. APPROX. DATE WORK WILL START* ASAP

5. LEASE DESIGNATION AND SERIAL NO.
 NM-0399448

6. IF INDIAN, ALLOTTEE OR TRIBE NAME

7. UNIT AGREEMENT NAME
 24910

8. FARM OR LEASE NAME, WELL NO.
 Malone ASA Federal #3

9. AP WELL NO.
 30-015-31701

10. FIELD AND POOL, OR WILDCAT
 Indian Basin Upper Penn

11. SEC., T., R., M., OR BLK. AND SURVEY OR AREA
 Section 12, T22S-R23E

12. COUNTY OR PARISH Eddy County

13. STATE New Mexico

23. PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	GRADE SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	WITNESS	QUANTITY OF CEMENT
14 3/4"	9 5/8"	36# J-55	1600'		1150 sx Circulate
8 3/4"	7"	23# & 26# J-55	8300'		1600 sx Circulate

Yates Petroleum Corporation proposes to drill and test the Canyon and intermediate formations. Approximately 1600' of intermediate casing will be set and cement circulated to shut off gravel and cavings. If commercial, production casing will be run and cemented with adequate cover, perforated and stimulated as needed for production.

MUD PROGRAM: 0-1600' FW Spud Mud; 1600'-7500' Cut Brine; 7500'-8300' SW Gel/Starch/ Drispac.

BOPE PROGRAM: BOPE will be installed on the 9 5/8" casing and tested daily for operational.

NOTIFY OCD SPUD & TIME TO WITNESS WATER PROTECTION STRING

ED BY THE BLM, THE LOCATION WILL BE MOVED TO THE SOUTH.)

proposal is to deepen, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface geology and measured and true vertical depths. Give blowout preventer program, if any.

24. SIGNED Ken Beardsley TITLE Landman DATE November 17, 1999

(This space for Federal or State office use)

PERMIT NO. _____ APPROVAL DATE _____ APPROVAL SUBJECT TO GENERAL REQUIREMENTS AND SPECIAL STIPULATIONS ATTACHED

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject land or other resources thereon.

CONDITIONS OF APPROVAL, IF ANY:

Acting _____ TITLE _____ DATE _____

*See Instructions On Reverse Side

RECEIVED
NOV 18 '99
1
ROSWELL, NM
PL

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 & Natural Resources

Form C-102
Revised March 17, 1999

OIL CONSERVATION DIVISION
2040 South Pacheco
Santa Fe, NM 87505

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

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

1 API Number		2 Pool Code		3 Pool Name Indian Basin Upper Penn	
4 Property Code		5 Property Name MALONE "ASA" FEDERAL			6 Well Number 3
7 OGRID No. 025575		8 Operator Name YATES PETROLEUM CORPORATION			9 Elevation 4000.

10 Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
J	12	22-S	23-E		1650	SOUTH	1980	EAST	EDDY

11 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

12 Dedicated Acres 320	13 Joint or Infill	14 Consolidation Code	15 Order No.
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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

16	Malone ASA Fed. Com. # 1		<p>17 OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief</p> <p>Signature: <i>Ken Beardemphl</i></p> <p>Printed Name: Ken Beardemphl</p> <p>Title: Landman</p> <p>Date: December 7, 1999</p>
	<p>18 SURVEYOR CERTIFICATION</p> <p>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 belief.</p>		
	<p>NOVEMBER 29 1999</p> <p>Date of Survey</p> <p>Signature and Seal of Professional Surveyor</p>		
	<p>5412</p> <p>REGISTERED LAND SURVEYOR</p> <p>NEW MEXICO</p> <p>5412</p>		

**YATES PETROLEUM CORPORATION
MALONE ASA FEDERAL #3
1980' FSL AND 1980' FEL
Section 12 T22S-R23E
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 500 feet prior to encountering known or probable H2S zone at 7400' feet.

Submitted with the APD is a well site diagram showing:

- 1) Drilling rig orientation, location of flare pit.
- 2) 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.

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

YATES PETROLEUM CORPORATION
Malone "ASA" Federal Com. #3
 1980' FSL & 1980' FEL
 Section 12-T22S-R23E
 Eddy County, New Mexico

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

San Andres	750'
Glorietta	2200'
Bone Spring	2750'
Wolf Camp	6800'
Canyon	7550'
TD	8300'

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 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)

<u>Hole Size</u>	<u>Casing Size</u>	<u>Wt./Ft</u>	<u>Grade</u>	<u>Coupling</u>	<u>Interval</u>	<u>Length</u>
14 3/4"	9 5/8"	36#	J-55	ST&C	0-1500'	1500'
8 3/4"	7.0"	23#	J-55	LT&C	0-5500'	5500'
8 3/4"	7.0"	26#	J-55	LT&C	5500'-7600''	2100'
8 3/4"	7.0"	26#	N-80	LT&C	7600'-8300'	700'

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

B. Cementing Program:

Surface casing: 850 sx Lite (YLD 2.0 WT 12.6), tail in with 300 sx "C" + 2% CaCL2 (YLD 1.33 WT 15.6).

Production Casing: Stage I: 650 sx "H" + 5# Gilsonite + 5# CSE, DV tool @ 5000' (YLD 1.32 WT 15.1).

Stage II: 850 sx Lite (YLD 2.0 WT 15.6), tail in with 100 sx "C" (YLD 1.33 WT 15.6).

5. MUD PROGRAM AND AUXILIARY EQUIPMENT:

<u>Interval</u>	<u>Type</u>	<u>Weight</u>	<u>Viscosity</u>	<u>Fluid Loss</u>
0-1600'	FW Spud Mud	8.4	28	N/C
1600'-7500'	Cut Brine	8.9-9.6	29	N/C
7500'-8300'	SW Gel/Starch/ Driscap	8.9-9.6	30-34	< 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 surface casing.
 Logging: CNL/LDT, DLL w/RXO TD to casing.
 Coring: None
 DST's: As warranted.

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

Anticipated BHP:

From: 0	TO: 1600'	Anticipated Max. BHP:	655	PSI
From: 1600'	TO: 8300'	Anticipated Max. BHP:	3900	PSI

Abnormal Pressures Anticipated: None

Lost Circulation Zones Anticipated: Possible in surface hole.

H2S Zones Anticipated: Possible Canyon

Maximum Bottom Hole Temperature: 150 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 15 days.

MULTI-POINT SURFACE USE AND OPERATIONS PLAN
Yates Petroleum Corporation
Malone "ASA" Federal Com. #3
1980' FSL & 1980' FEL
Section 12-T22S-R23E
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 wellsite is located approximately 30 miles northwest of Carlsbad, New Mexico and the access route to the location is indicated in red and green on Exhibit A.

DIRECTIONS:

Go north of Carlsbad on Highway 285 to Highway 137. Turn west on Highway 137 and go approximately 14.4 miles. Turn west on caliche road and go approximately 0.5 miles. Turn south and go approximately 0.25 miles. The new access road will start here.

2. PLANNED ACCESS ROAD

- A. The proposed new access will be approximately 2000' in length from the point of origin to the southeast corner of the drilling pad. The road will lie in a northwest to southeast 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. 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 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:

Dirt contractor will locate closest pit and obtain any permits and material 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 land fill. Burial on site is not approved.

8. ANCILLARY FACILITIES:

One (1) 4 inch buried flowline and one (1) 480 volt overhead raptor proof powerline will be constructed to Yates' Malone ASA Federal #1 well. Both will follow the route of the new access road.

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

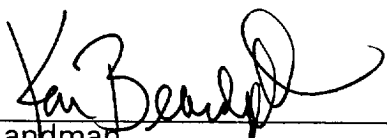
- A. After finishing drilling and/or completion operations, all equipment and other material not needed for further operations will be removed. The location will be cleaned of all trash and junk to leave the wellsite in as aesthetically pleasing a condition as possible.
- B. Unguarded pits, if any, containing fluids will be fenced until they have dried and been 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: 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: | B. Through Drilling Operations,
Completions and Production: |
| Ken Beardemphl, Landman
Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210
Phone (505) 748-1471 | Brian Collins, 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.

11/17/99



Landman

YATES PETROLEUM CORPORATION
 Malone ASA Federal #3
 1650' FSL and 1980' FEL
 Section 12, T22S-R23E
 Eddy County, New Mexico
 NM-0399448

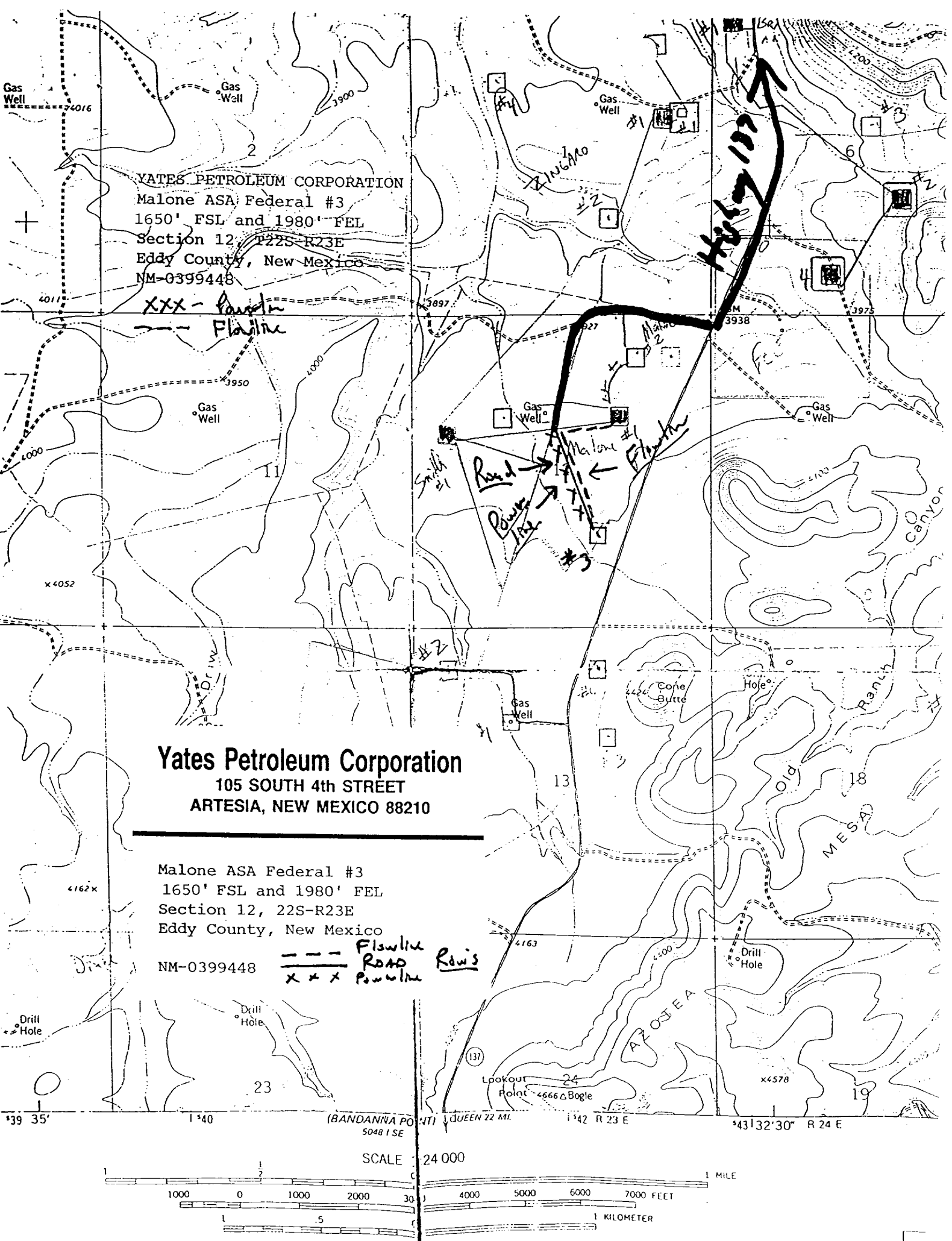
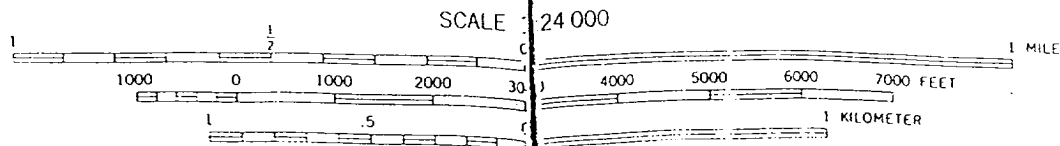
XXX - Powerline
 --- Flowline

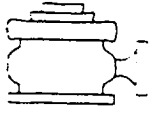
Yates Petroleum Corporation
 105 SOUTH 4th STREET
 ARTESIA, NEW MEXICO 88210

Malone ASA Federal #3
 1650' FSL and 1980' FEL
 Section 12, 22S-R23E
 Eddy County, New Mexico

NM-0399448

--- Flowline
 xxx Powerline
 --- Road
 --- Rows





Yates Petroleum Corporation

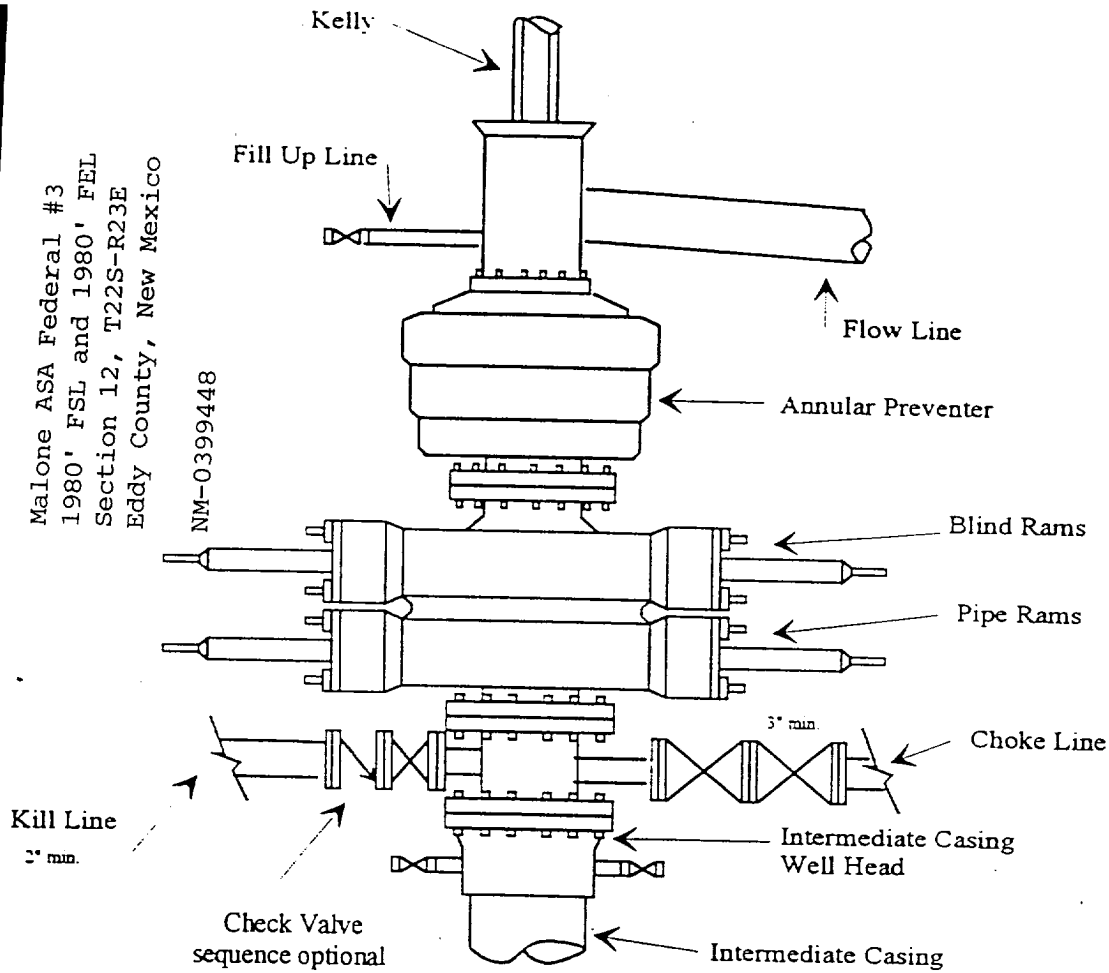
BOP-3

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

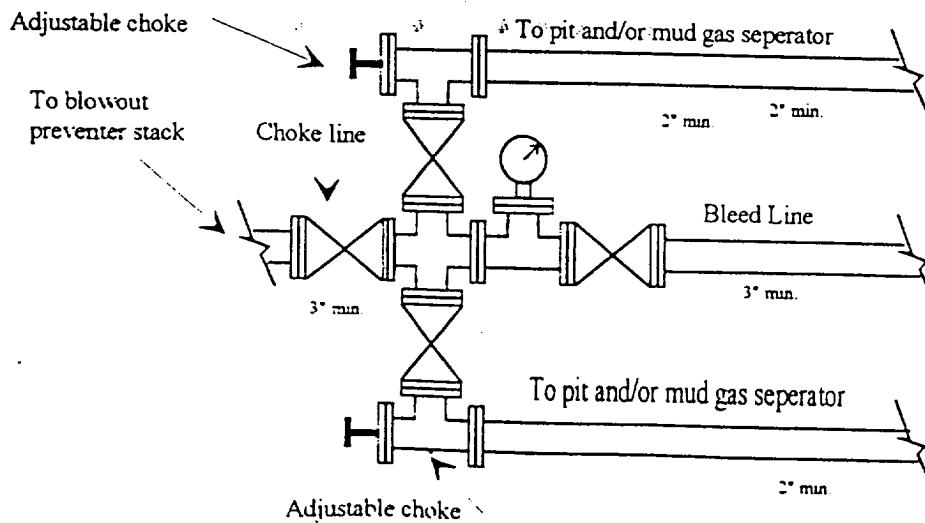
Yates Petroleum Corporation
105 SOUTH 4th STREET
ARTESIA, NEW MEXICO 88210

Malone ASA Federal #3
1980' FSL and 1980' FEL
Section 12, T22S-R23E
Eddy County, New Mexico

NM-0399448



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



Yates Petroleum Corporation

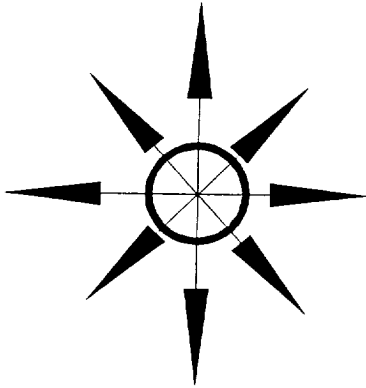
Location Layout for Permian Basin

Up to 12,000'

Yates Petroleum Corporation

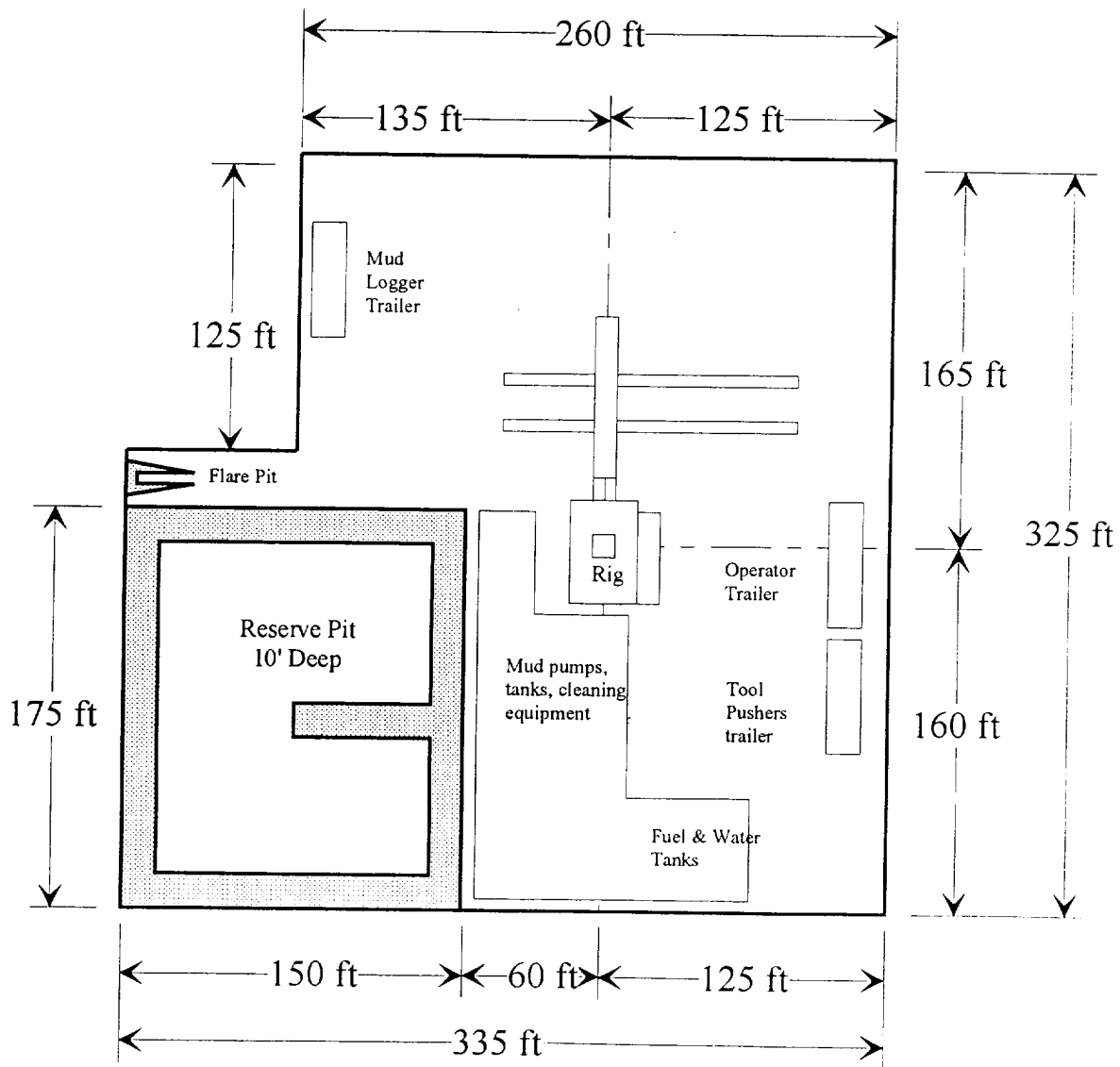
105 SOUTH 4th STREET

ARTESIA, NEW MEXICO 88210



Malone ASA Federal #3
1980' FSL and 1980' FEL
Section 12, T22S-R23E
Eddy County, New Mexico

NM-0399448



Distance from Well Head to Reserve Pit will vary between rigs

The above dimension should be a maximum

