

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

N. M. Oil Cons. Division
411 S. 1ST ST.
ARTESIA, NM 88201-2634



CLSF

0
OMB No. 1004-0136
Expires November 30, 2000

5. Lease Serial No. NM-97846
6. If Indian, Allottee or Tribe Name
7. If Unit or CA Agreement, Name and No. 28087
8. Lease Name and Well No. Penny Pincher AYP Federal #1
9. API Well No. 30-013-31812
10. Field and Pool, or Exploratory Wildcat Chester
11. Sec., T., R., M., or Blk, and Survey or Area Section 24, T21S-R22E
12. County or Parish Eddy County
13. State NM

1a. Type of Work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER
b. Type of Well: <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other <input type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone

2. Name of Operator
Yates Petroleum Corporation 25575

3A. Address **105 South Fourth Street
Artesia, New Mexico 88210**

3b. Phone No. (include area code)
(505) 748-1471

4. Location of Well (Report location clearly and in accordance with any State requirements. *)
At surface **660' FNL and 660' FWL**
At proposed prod. Zone **Unit D**

14. Distance in miles and direction from nearest town or post office*
Approximately 39 miles northwest of Carlsbad, New Mexico.

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 320	17. Spacing Unit dedicated to this well W/2
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 1300'	19. Proposed Depth 9500'	20. BLM/BIA Bond No. on file 585997
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 4184' GL	22. Approximate date work will start* ASAP	23. Estimated duration 60 days

24. Attachments

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. | 4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above). |
| 2. A Drilling Plan. | 5. Operator certification. |
| 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). | 6. Such other site specific information and/or plans as may be required by the authorized office. |

25. Signature 	Name (Printed/Typed) Cy Cowan	Date 4/9/01
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Title:
Regulatory Agent

Approved by (Signature) /s/ LESLIE A. THEISS	Name (Printed/Typed) /s/ LESLIE A. THEISS	Date MAY 22 2001
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Title FIELD MANAGER	Office CARLSBAD FIELD OFFICE
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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 1001 and 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**

RECEIVED

2001 APR -9 PM 2:29

RECEIVED
FBI
APR 9 2001

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

OIL CONSERVATION DIVISION
2040 South Pacheco
Santa Fe, NM 87505

Form C-102
Revised March 17, 1999

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

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number		Pool Code		Pool Name Wildcat Chester	
Property Code		Property Name PENNY PINCHER AYP FEDERAL			Well Number 1
OGRID No. 025575		Operator Name YATES PETROLEUM CORPORATION			Elevation 4184.

10 Surface Location

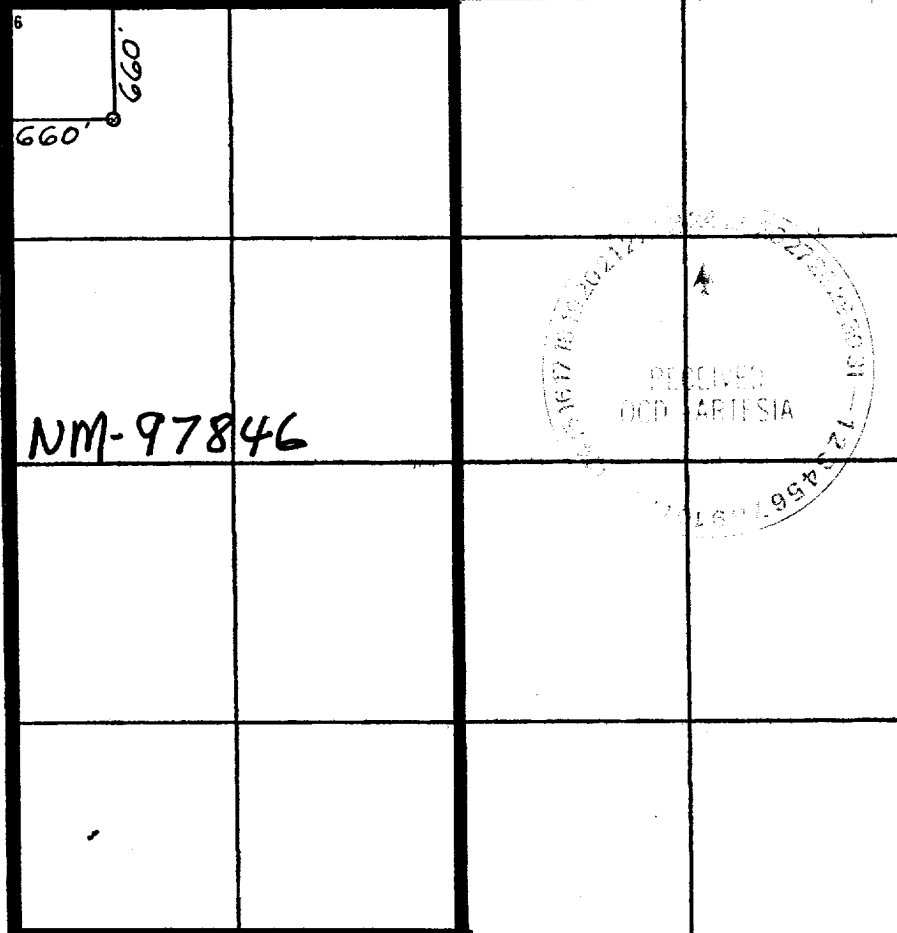
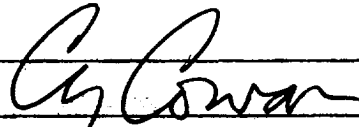
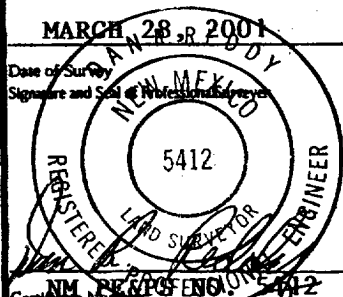
UL or lot no. D	Section 24	Township 21-S	Range 22-E	Lot Idn	Feet from the 660	North/South line NORTH	Feet from the 660	East/West line WEST	County EDDY
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11 Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
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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

				17 OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief	
				Signature 	
				Printed Name Cy Cowan	
				Title Regulatory Agent	
				Date April 9, 2001	
				18 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 belief.	
				MARCH 28, 2001	
				Date of Survey	
				Signature and Seal of Professional Surveyor	
					

YATES PETROLEUM CORPORATION

Penny Pincher "AYP" Federal #1

660' FNL and 660' FWL

Section 24, T21S-R22E

Eddy County, New Mexico

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

San Andres	275'	Strawn Lime	8340'
Glorietta	2010'	Atoka	8680'
Bone Spring Lime	3090'	Morrow	8940'
3 rd Bone Spring	5000'	Middle Morrow	9025'
Wolfcamp	5310'	Chester Lime	9420'
Cisco	7430'	TD	9500'

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

Water: 200' - 300'
Oil or Gas: All potential zones

3. Pressure Control Equipment: BOPE will be installed on the 8 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
17 1/2"	13 3/8"	48#	H-40	ST&C	0-350'	350'
12 1/4"	8 5/8"	24#	J-55	ST&C	0-2050'	2050'
7 7/8"	5 1/2"	17#	J-55	LT&C	0-700'	3300'
7 7/8"	5 1/2"	15.5#	J-55	LT&C	700'-6300'	5600'
7 7/8"	5 1/2"	17#	J-55	LT&C	6300'-8000'	1700'
7 7/8"	5 1/2"	17#	S-95	LT&C	8000'-9420'	1420'

WITNESS

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

B. CEMENTING PROGRAM:

Surface casing: 400 sacks "C" + 2% CaCl₂ (YLD 1.32 WT 15.6)

Intermediate Casing: 750 sx Lite (YLD 2.0 WT 12.5). Tail in with 200 sx "C" + 2% CaCl₂ (YLD 1.32 WT 15.6)

Production Casing: TOC 4500'. 650 sacks Super "H" Modified (YLD 1.67 WT 13.0)

5. Mud Program and Auxiliary Equipment:

<u>Interval</u>	<u>Type</u>	<u>Weight</u>	<u>Viscosity</u>	<u>Fluid Loss</u>
Spud to 350'	FW/Air Mist	8.4	28	N/C
350'-2050'	FW/Air Mist	8.4	28	N/C
2050'-7800'	Cut Brine/4% KCL	8.6-9.2	28	N/C
7800'-9420'	Salt Gel/Starch	9.2-9.8	32-38	<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' out from under surface casing to TD.

Logging: Platform Express-HALS, Possible FMI.

Coring: As Warranted.

DST's: As Warranted.

7. Abnormal Conditions, Bottom hole pressure and potential hazards:

Anticipated BHP:

From: 0 TO 350' Anticipated Max. BHP: 175 PSI

From: 350' TO 2050' Anticipated Max. BHP: 900 PSI

From: 2050' TO 9420' Anticipated Max. BHP: 4700 PSI

Abnormal Pressures Anticipated: None

Lost Circulation Zones Anticipated: None

H₂S Zones Anticipated: None

Maximum Bottom Hole Temperature: 189° 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.

MULTI-POINT SURFACE USE AND OPERATIONS PLAN

Yates Petroleum Corporation

Penny Pincher "AYP Federal #1"

660' FNL AND 660' FWL

Section 24, T21S-R22E

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 39 miles Northwest of Carlsbad, New Mexico and the access route to the location is indicated in red and green on Exhibit A.

DIRECTIONS:

Go south of Artesia of Highway 285 for approximately 19 miles to Seven Rivers. Turn West on White Pine Road and go to the Marathon Plant Road. CR 401. Turn west on 401 and go 8 miles to CR 400 (old Car Body here) Turn right on CR 400 and go approx. 1.7 miles. Turn right on lease road and go approximately 1.4 miles to a dry hole marker on the left. Turn right here and go approximately .6 of a mile to Oxy's Penny Loafer Federal #1 well. The new road will start here going east for approx. 1300 feet to a fence the road will go through the fence and turn north for approx. .1 of a mile to the southwest corner of the well location.

2. PLANNED ACCESS ROAD:

- A. The proposed new access will be approximately .3 of a mile in length from the point of origin to the southwest corner of drilling pad. The road will lie in a east then north 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.
- 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 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:

The dirt contractor will acquire any materials from the closest source at the time of construction of the well pad.

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: 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 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 within 90 days after abandonment.

11. SURFACE OWNERSHIP: 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.

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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. NOTE: BACKSIDE OF LOCATION WILL BE LIMITED TO 100' PER MR. BARRY HUNT, BLM CARLSBAD.
- B. The reserve pits will be plastic lined.
- C. A 400' x 400' area has been staked and flagged.

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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:

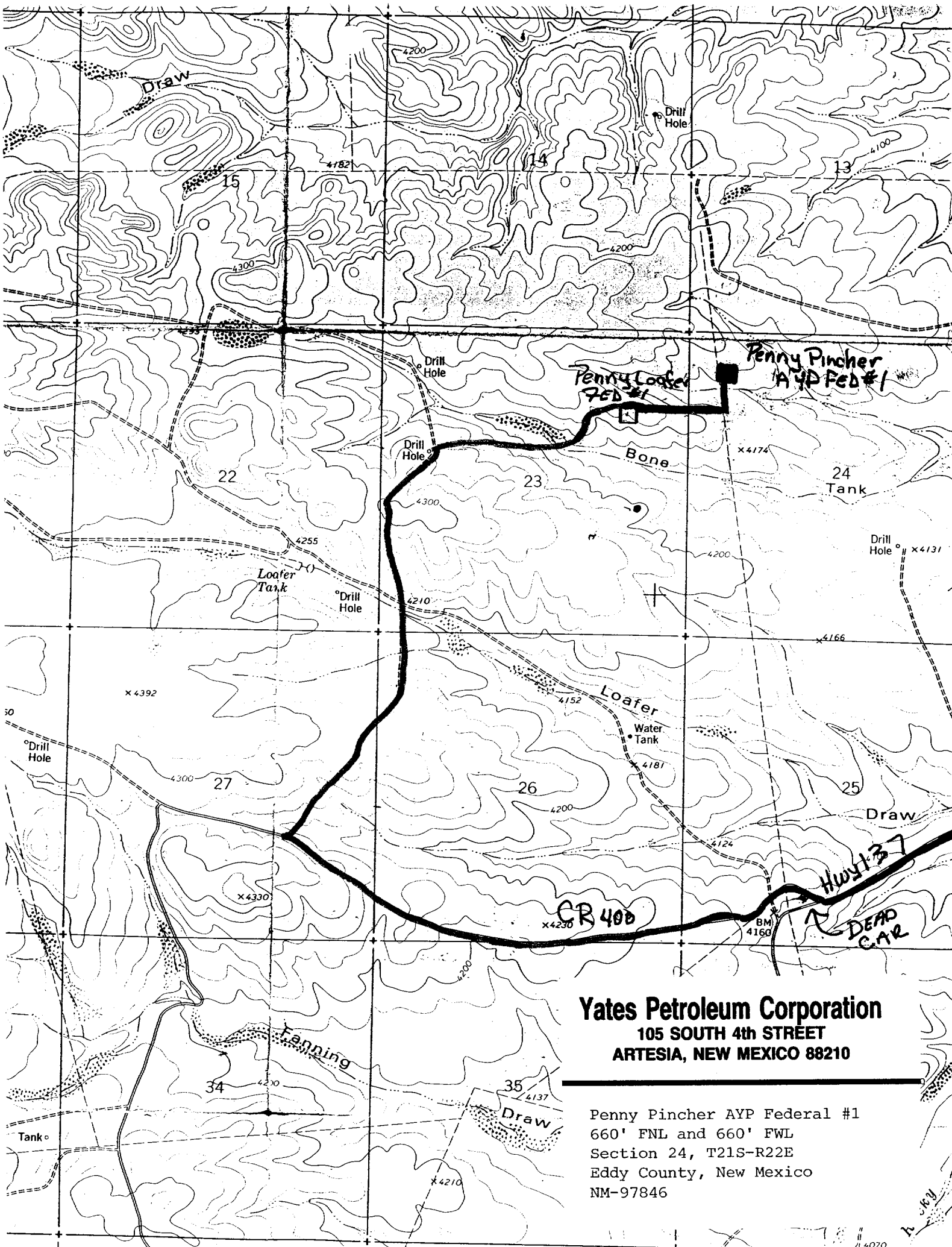
Pinson McWhorter, Operations Manager
Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210
Phone (505) 748-1471

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.

4/9/01


Regulatory Agent



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

Penny Pincher AYP Federal #1
660' FNL and 660' FWL
Section 24, T21S-R22E
Eddy County, New Mexico
NM-97846

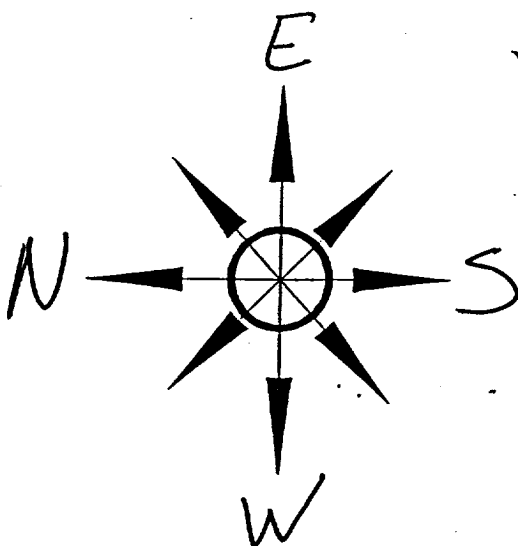
PB - L1

Yates Petroleum Corporation

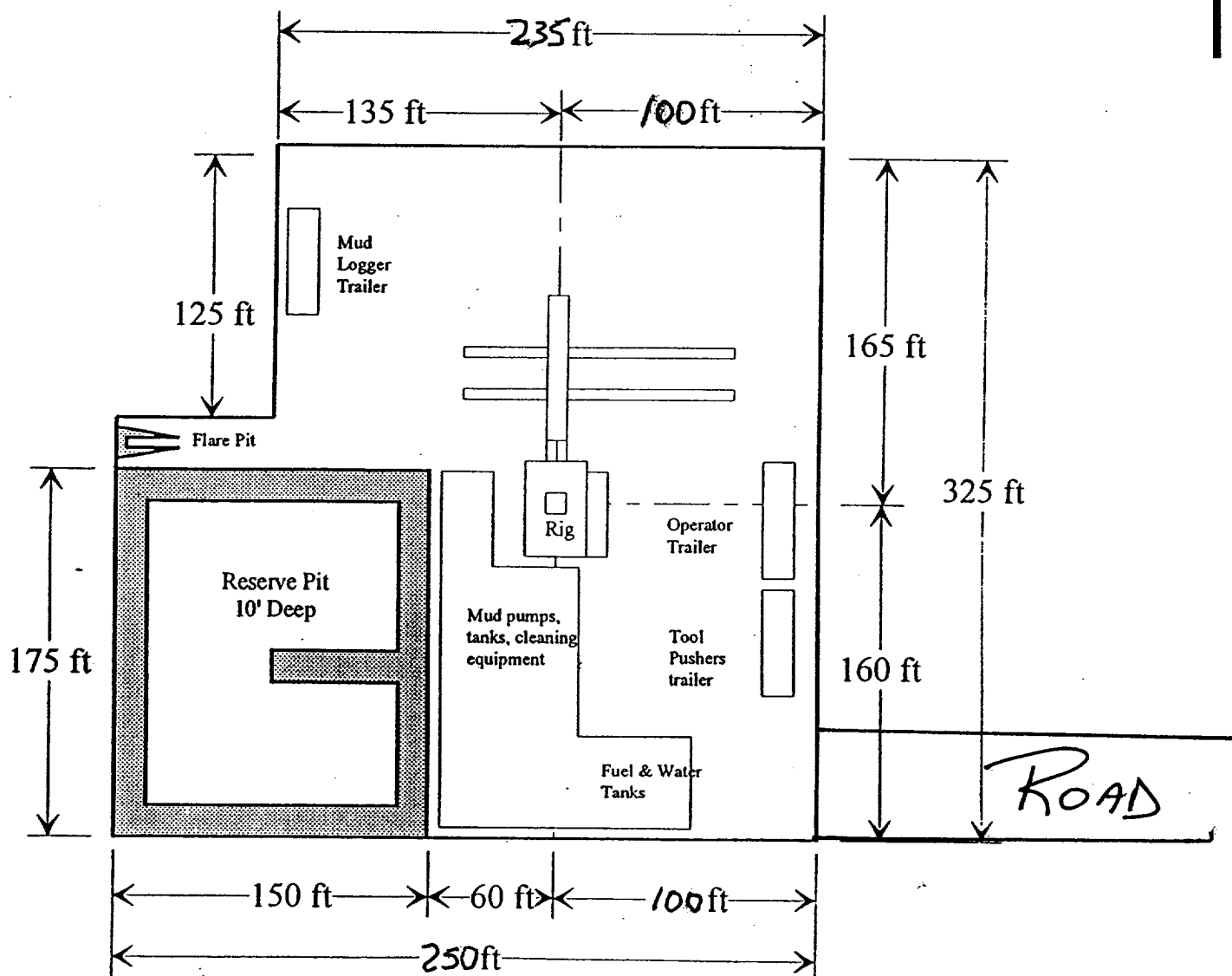
Location Layout for Permian Basin

Up to 12,000'

Penny Pincher AYP Federal #1
660' FNL and 660' FWL
Section 24, T21S-R22E
Eddy County, New Mexico
NM-97846

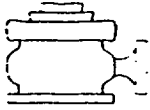


Pits North
Limit Back Side
Of Location to
100' Per BLM.



Distance from Well
Head to Reserve Pit
will vary between rigs

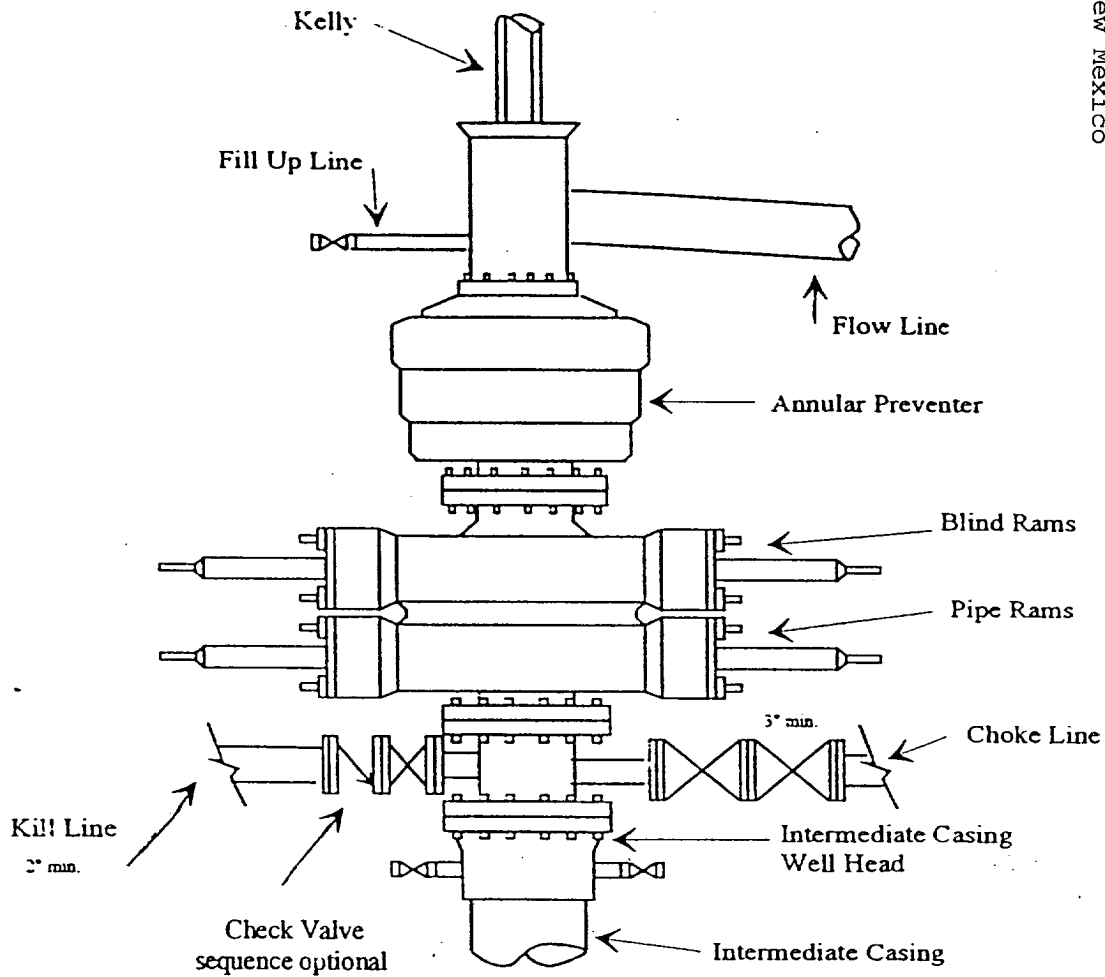
The above dimension
should be a maximum



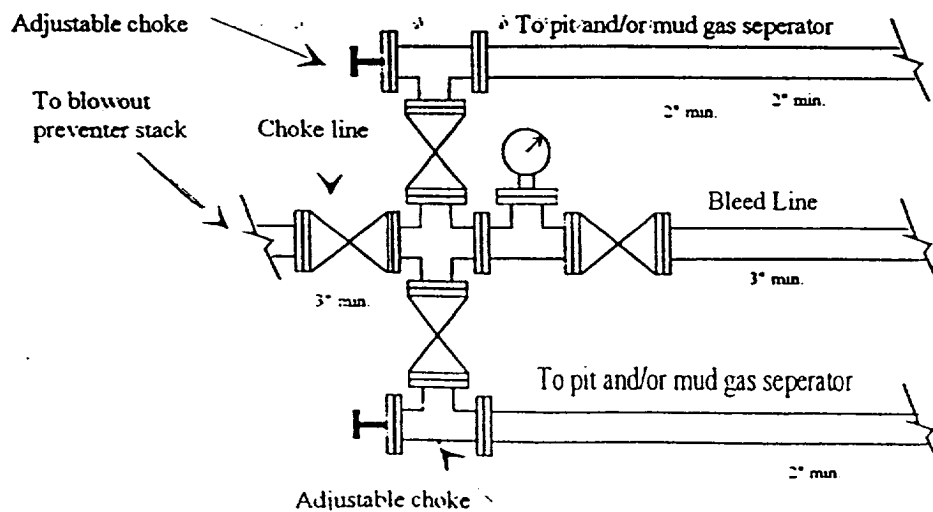
Yates Petroleum Corporation

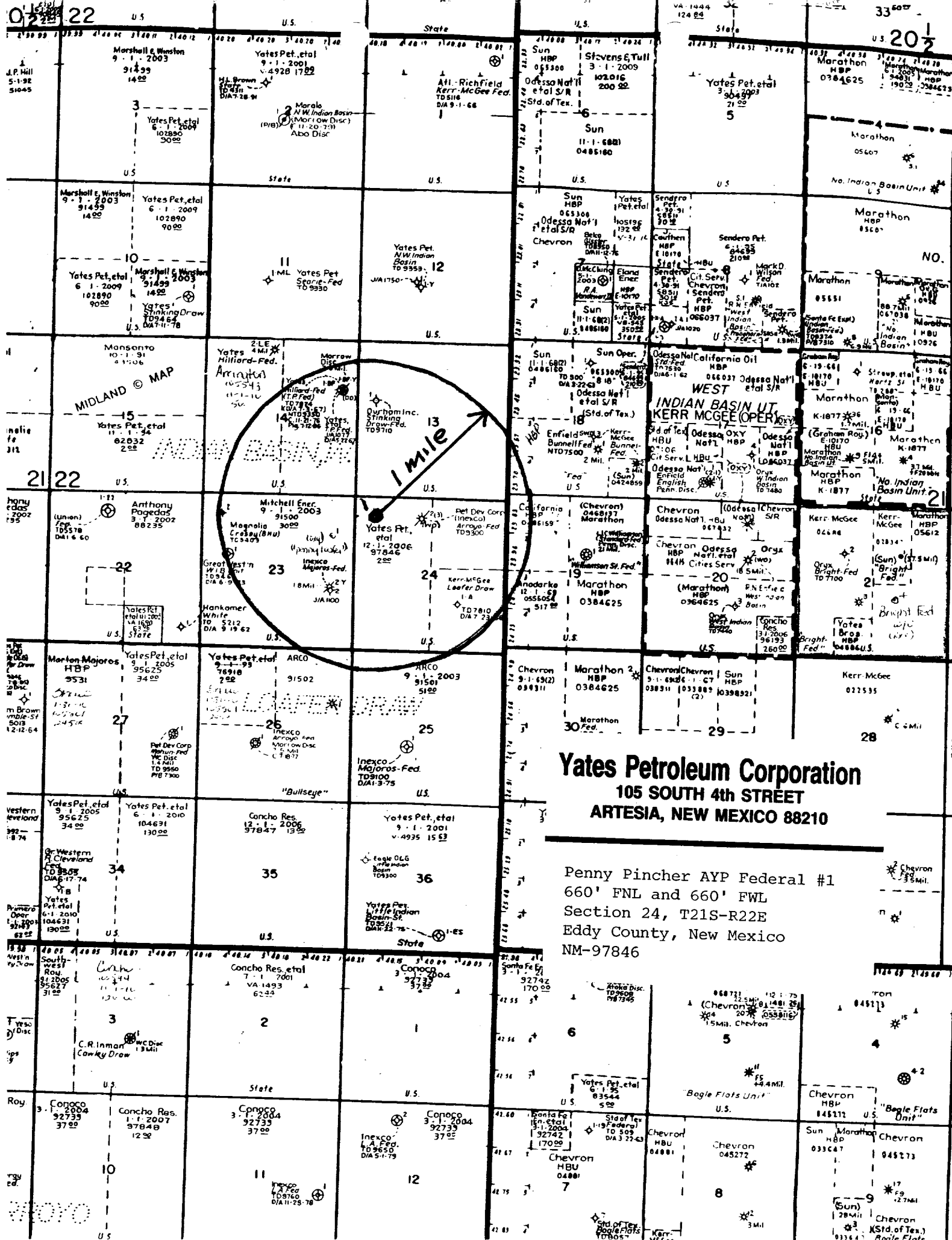
Typical 3,000 psi Pressure System Schematic Annular with Double Ram Preventer Stack

Penny Pincher AYP Federal #1
660' FNL and 660' FWT
Section 24, T21S-R22E
Eddy County, New Mexico
NM-97846



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





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

Penny Pincher AYP Federal #1
660' FNL and 660' FWL
Section 24, T21S-R22E
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