

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

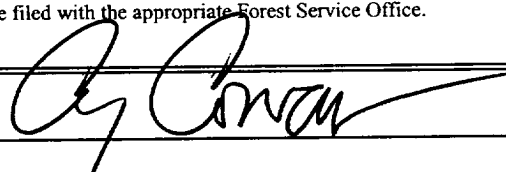
APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of Work: <input type="checkbox"/> DRILL <input type="checkbox"/> REENTER		7. If Unit or CA Agreement, Name and No.	
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		8. Lease Name and Well No. Luke AYZ Fed. #1 28597	
2. Name of Operator Yates Petroleum Corporation 25575		9. API Well No. 30-015-31948	
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 484' FNL and 1800' FEL At proposed prod. Zone Same Unit B		10. Field and Pool, or Exploratory Wildcat Mississippian	
14. Distance in miles and direction from nearest town or post office* Approximately 45 miles southwest of Artesia, New Mexico		11. Sec., T., R., M., or Blk, and Survey or Area Section 9, T21S-R22E	
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 841'		16. No. of Acres in lease 320	
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 11 1/2 mile		17. Spacing Unit dedicated to this well N/2	
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 4347' GL		19. Proposed Depth 9200'	
22. Approximate date work will start* ASAP		20. BLM/BIA Bond No. on file 585997	
23. Estimated duration 30 days		12. County or Parish Eddy County	
13. State NM			

24. Attachments **Carlsbad 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. | 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 6/11/01
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Title: **Regulatory Agent**

Approved by (Signature) /S/ JOE G. LARA	Name (Printed/Typed) /S/ JOE G. LARA	Date AUG 08 2001
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Title Acting 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)

**DECLARED WATER BASIN
CEMENT BEHIND THE 13 3/4" x 8 1/2" CASING MUST BE CIRCULATED**

**APPROVAL SUBJECT TO
GENERAL REQUIREMENTS AND
SPECIAL STIPULATIONS
ATTACHED**

WITNESS

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 ResourcesOIL CONSERVATION DIVISION
2040 South Pacheco
Santa Fe, NM 87505Form C-102
Revised March 17, 1999Submit 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 Wildcat Mississippian	
4 Property Code		5 Property Name LUKE AYZ FEDERAL			6 Well Number 1
7 OGRID No. 025575		8 Operator Name YATES PETROLEUM CORPORATION			9 Elevation 4347.

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
B	9	21-S	22-E		841	NORTH	1800	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

	17 OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.	
	Signature <i>Cy Cowan</i> Printed Name Regulatory Agent Title June 12, 2001 Date	
	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.	
	JUNE 5, 2001 Date of Survey Signature and Seal of Professional Surveyor 	

YATES PETROLEUM CORPORATION

Luke AYZ Federal #1
841' FNL and 1800' FEL
Section 9-T21S-R22E
Eddy County, New Mexico

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

San Andres	235'
Glorieta	1615'
Tubb	3205'
Abo	3675'
Wolfcamp	4990'
Cisco	6415'
Strawn	8145'
Atoka	8565'
Morrow	8735'
Middle Morrow	8825'
Base of Morrow	9055'
Mississippian	9115'
TD	9200'

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 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)

<u>Hole Size</u>	<u>Casing Size</u>	<u>Wt./Ft</u>	<u>Grade</u>	<u>Coupling</u>	<u>Interval</u>	<u>Length</u>
17 1/2"	13 3/8"	48#	H-40	ST&C	0-350'	350'
12 1/4"	8 5/8"	24#	J-55	LT&C	0-1700'	1700'
7 7/8"	5 1/2"	17#	J-55	LT&C	0-100'	100'
7 7/8"	5 1/2"	15.5#	J-55	LT&C	100'-6500'	6400'
7 7/8"	5 1/2"	17#	J-55	LT&C	6500'-7500'	1000'
7 7/8"	5 1/2"	17#	HPC-110	LT&C	7500'-9200'	1700'

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

B. CEMENTING PROGRAM:

Surface casing: 400 sx "C" + 2% CaCL₂ (YLD 1.32 WT 15.6).

Intermediate Casing: 750 sx Lite (YLD 2.0 WT 12.2). Tail in w/200 sx "C" + 2% CACL₂ (Yld 1.32 Wt. 15.6).

Production Casing: TOC=4000', 775 sx Super "C" modified (Yld 1.63 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>
0-350'	Freshwater Air Mist	8.4	28	N/C
350'-1700'	Freshwater Air Mist	8.4	28	N/C
1700'-7300'	Cut Brine	8.6-9.2	28	N/C
7300'-TD	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' samples out from under intermediate casing.

Logging: Platform Express/HALS/sonic; possible FMI and rotary sidewall cores.

Coring: None

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: 1700'	Anticipated Max. BHP: 700	PSI
From: 1700'	TO: 9200'	Anticipated Max. BHP: 4600	PSI

No abnormal pressures or temperatures are anticipated.

Lost Circulation Zones Anticipated: None

H₂S Zones Anticipated: None Anticipated

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**

Luke AYZ Federal #1
841' FSL and 1800' FEL
Section 9, 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 45 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 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. 8 miles. After crossing draw an old metal sign will be on the right. Turn right here on lease road and go approximately 4.4 miles at this point the road will cross Little Box Canyon and double back to the southwest. Follow existing two track road along the south side of of the canyon to the first two track road going south. Turn left here and follow two track for approximately .5 of a mile to a fence. Go through fence and go approx. .2 of a mile. The new road will start here going southeast.

2. PLANNED ACCESS ROAD:

- A. The new access will be approximately .2 of a mile in length from point of origin to the northwest corner of the drilling pad. The road will lie in a northwest to southeast, direction. See attached map.
- 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 no 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:

Dirt contractor will locate nearest pit and obtain any permits and materials 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:

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 after they have evaporated and dried.

11. SURFACE OWNERSHIP: Federal Surface, Administered by 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

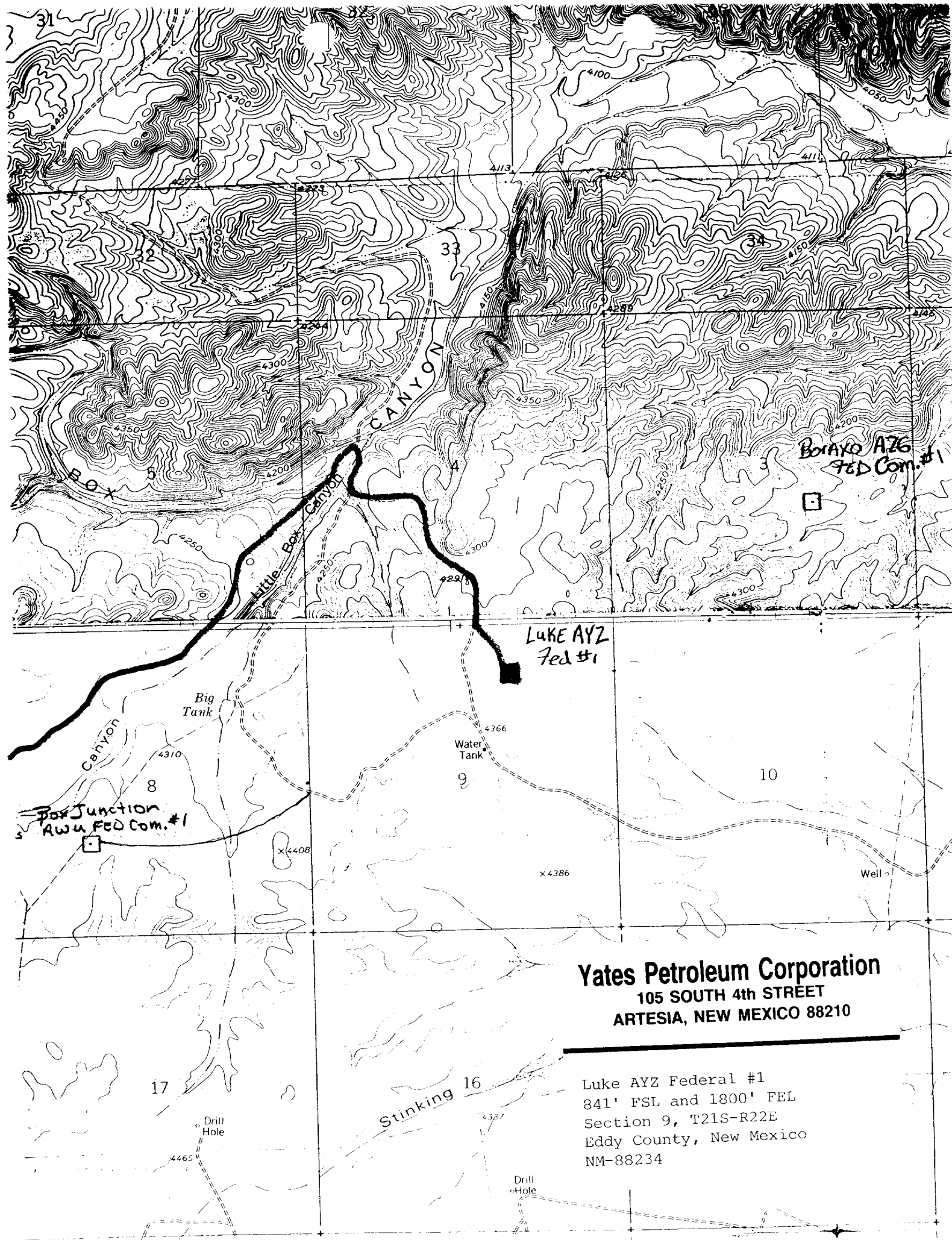
14. CERTIFICATION:

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.

6/12/01



Regulatory Agent



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

Luke AYZ Federal #1
841' FSL and 1800' FEL
Section 9, T21S-R22E
Eddy County, New Mexico
NM-88234

PB - L1

Yates Petroleum Corporation

Location Layout for Permian Basin

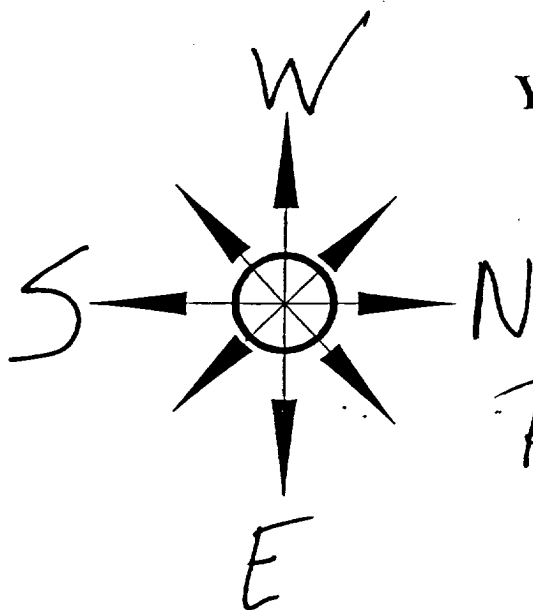
Up to 12,000'

Yates Petroleum Corporation

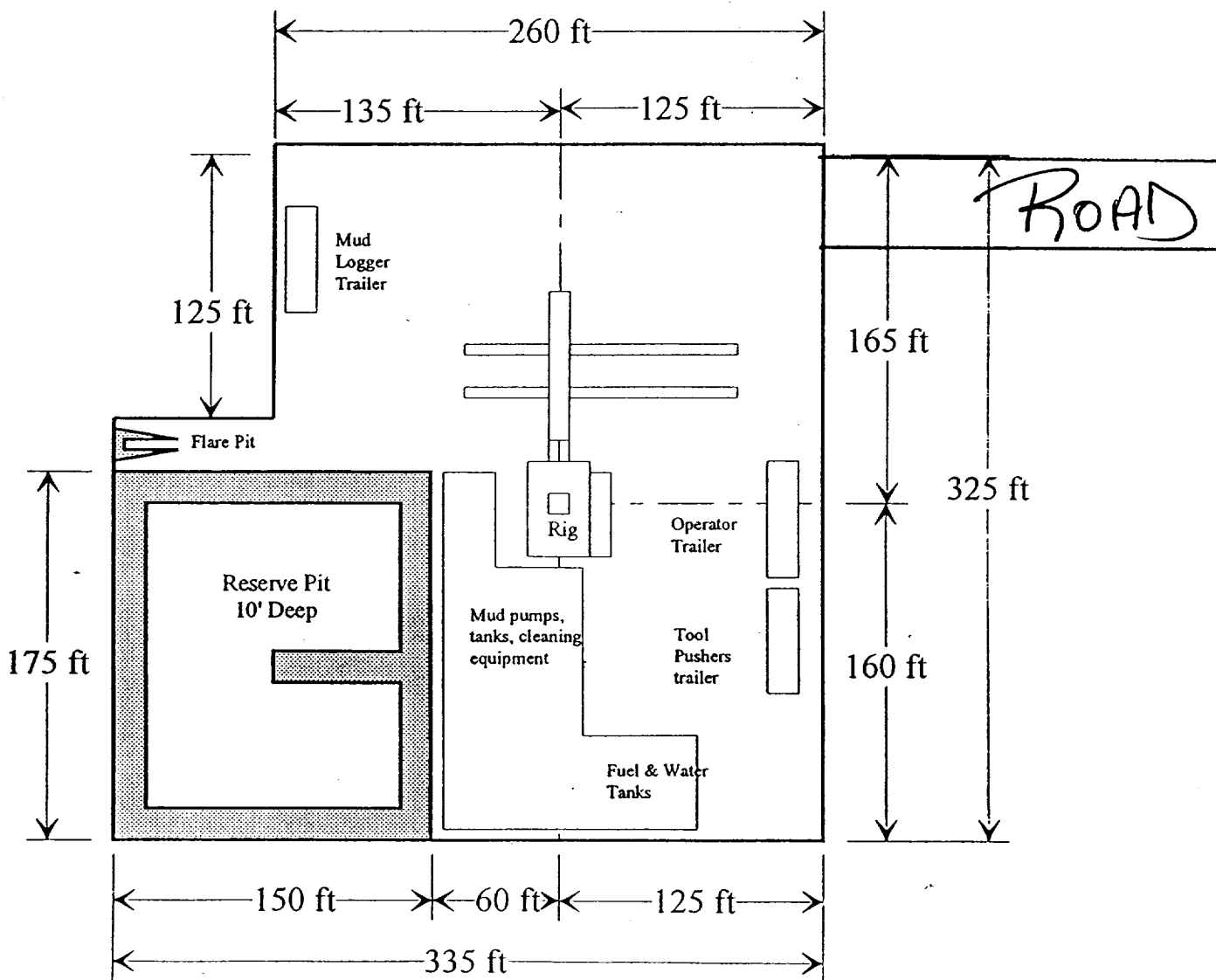
105 SOUTH 4th STREET

ARTESIA, NEW MEXICO 88210

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NM-88234



Pits South.

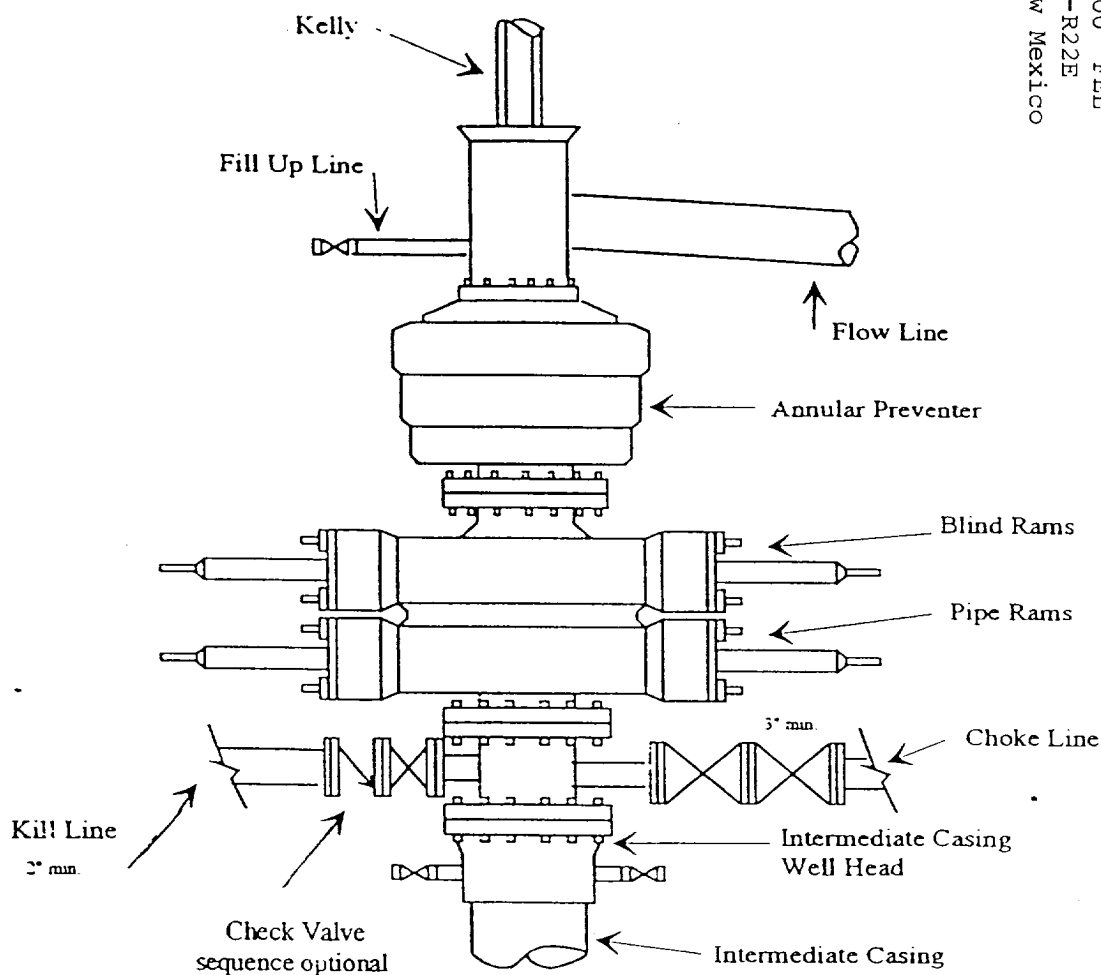


Distance from Well Head to Reserve Pit will vary between rigs

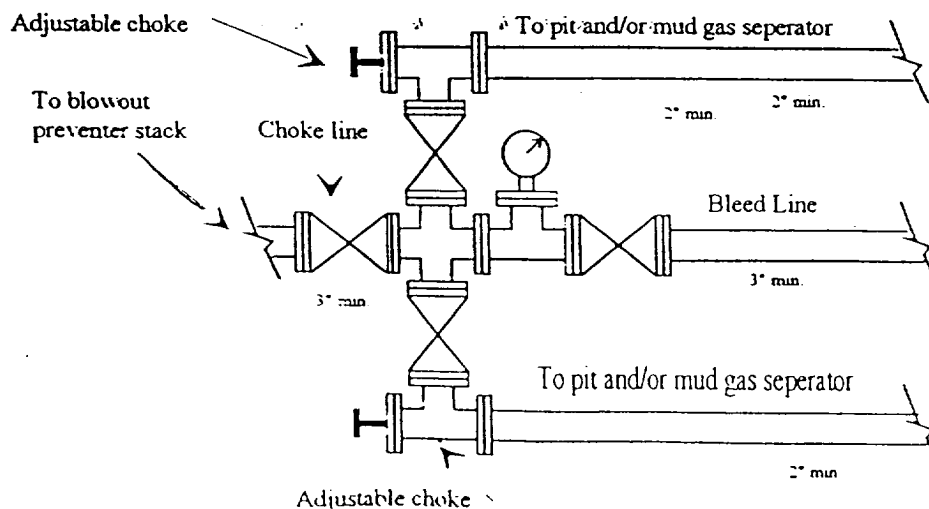
The above dimension should be a maximum

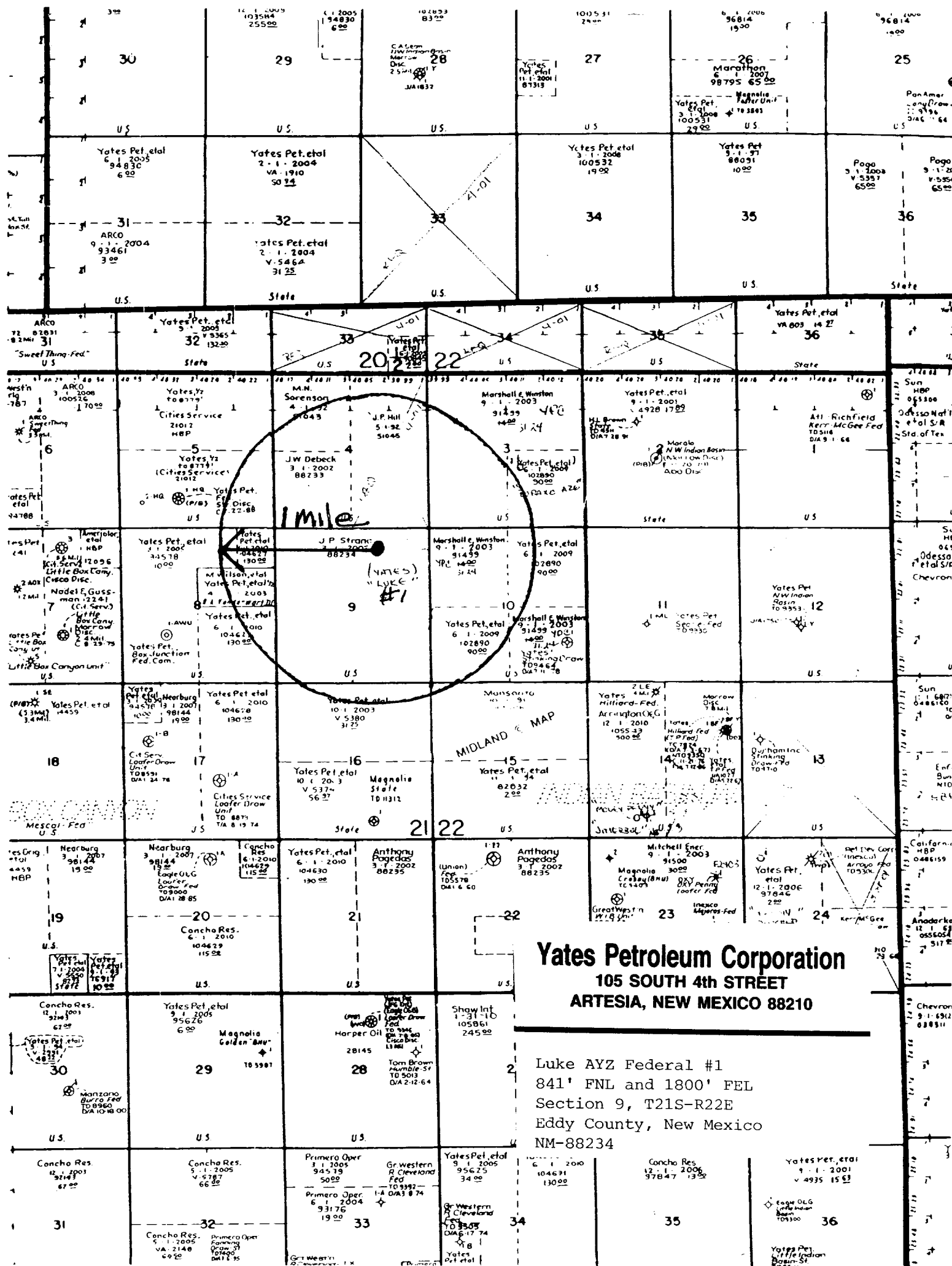
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Yates Petroleum Corporation
 Typical 3,000 psi Pressure System
 Schematic
 Annular with Double Ram Preventer Stack



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





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

Luke AYZ Federal #1
841' FNL and 1800' FEL
Section 9, T21S-R22E
Eddy County, New Mexico
NM-88234

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

STATEMENT ACCEPTING RESPONSIBILITY FOR OPERATIONS

The undersigned accepts all applicable terms, conditions, stipulations, and restrictions concerning operations conducted on the leased land or portion thereof, as described below:

Lease No.: NM-88234

Bond Coverage: Individually Bonded

Legal Description of Land:

BLM Bond File No.: NM 0344

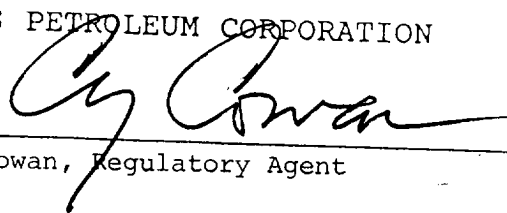
Section 9, ALL
T21S-R22E

Formation(s) (if applicable):

N/A

YATES PETROLEUM CORPORATION

Date: June 19, 2001


Cy Cowan, Regulatory Agent