

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 87501

State of New Mexico
Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION

PO BOX 2088
Santa Fe, NM 87504-2088

CIS
BGM
S&G
AP

Form C-101
Revised March 17, 1999
Instructions on back
Submit to appropriate District Office
State Lease - 6 Copies
Fee Lease - 5 Copies

☐ AMENDED REPORT

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE

¹ Operator Name and Address Yates Petroleum Corporation 105 South Fourth Street Artesia, New Mexico 88210		² OGRID Number 025575
		³ API Number 30- 015- 32003
⁴ Property Code 27485	⁵ Property Name Lucy ALC State	⁶ Well No. 7

7 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	34	21S	31E		660	North	2005'	East	Eddy

8 Proposed 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
⁹ Proposed Pool 1 Undesignated Lost Tank Delaware <i>next</i>					¹⁰ Proposed Pool 2 PLEASE NOTE ATTACHED POTASH AGREEMENT.				

¹¹ Work Type Code N	¹² Well Type Code O	¹³ Cable/Rotary R	¹⁴ Lease Type Code S	¹⁵ Ground Level Elevation 3489'
¹⁶ Multiple N	¹⁷ Proposed Depth 8500'	¹⁸ Formation Delaware	¹⁹ Contractor Not Determined	²⁰ Spud Date ASAP

21 Proposed Casing and Cement Program

Hole Size	Casing Size	Casing weight/feet	Setting Depth	Sacks of Cement	Estimated TOC
17 1/2"	13 3/8"	48#	850'	700 sx	Surface
11"	8 5/8"	32#	4100'	1400 sx	Surface
7 7/8"	5 1/2"	15.5# + 17#	8500'	Stage 1-500sx	TOC-6200'
			DV Tool @ 4050'	Stage 2-400sx	Surface

²² Describe the proposed program. If this application is to DEEPEN or PLUG BACK give the data on the present productive zone and proposed new productive zone. Describe the blowout prevention program, if any. Use additional sheets if necessary.

Yates Petroleum Corporation proposes to drill and test the Delaware and intermediate formations. Approximately 850' of surface casing will be set and cement circulated to shut off gravel and cavings. Intermediate casing will be set at 4100' and cemented to surface. If commercial, production casing will be run and cemented, will perforate and stimulate as needed for production.

MUD PROGRAM: 0-850' FW/Native Mud; 850'-4100' Brine; 4100'-6800' Cut Brine; 6800'-8500' Cut Brine/Starch.

BOPE PROGRAM: A 3000# BOPE will be installed on the 8 5/8" casing and tested daily.

²³ I hereby certify that the information given above is true and complete to the best of my knowledge and belief.

Signature: *Clifton R. May*

Printed name: Clifton R. May

Title: Regulatory Agent

Date: 09/24/01

Phone: (505) 748-1471

OIL CONSERVATION DIVISION

Approved by:

ORIGINAL SIGNED BY TIM W. GUM

Title: DISTRICT II SUPERVISOR

Approval: SEP 26 2002

Expiration Date: SEP 26 2002

Conditions of Approval

Attached ☐

NOTIFY OCD SPUD & TIME TO WITNESS
CEMENTING OF ALL CASING STRINGS

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State of New Mexico
Energy, Minerals and Natural Resources Department.

Form C-102
Revised March 17, 1999
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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 UNDESIGNATED LOST TANK
Property Code 27485	Property Name LUCY "ALC" STATE	Well Number 7
OGED No. 625575	Operator Name YATES PETROLEUM CORPORATION	Elevation 3489

Surface Location

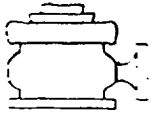
UL or lot No. B	Section 34	Township 21S	Range 31E	Lot Idn	Feet from the 660	North/South line NORTH	Feet from the 2005	East/West line EAST	County EDDY
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Bottom Hole Location If Different From Surface

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.			

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

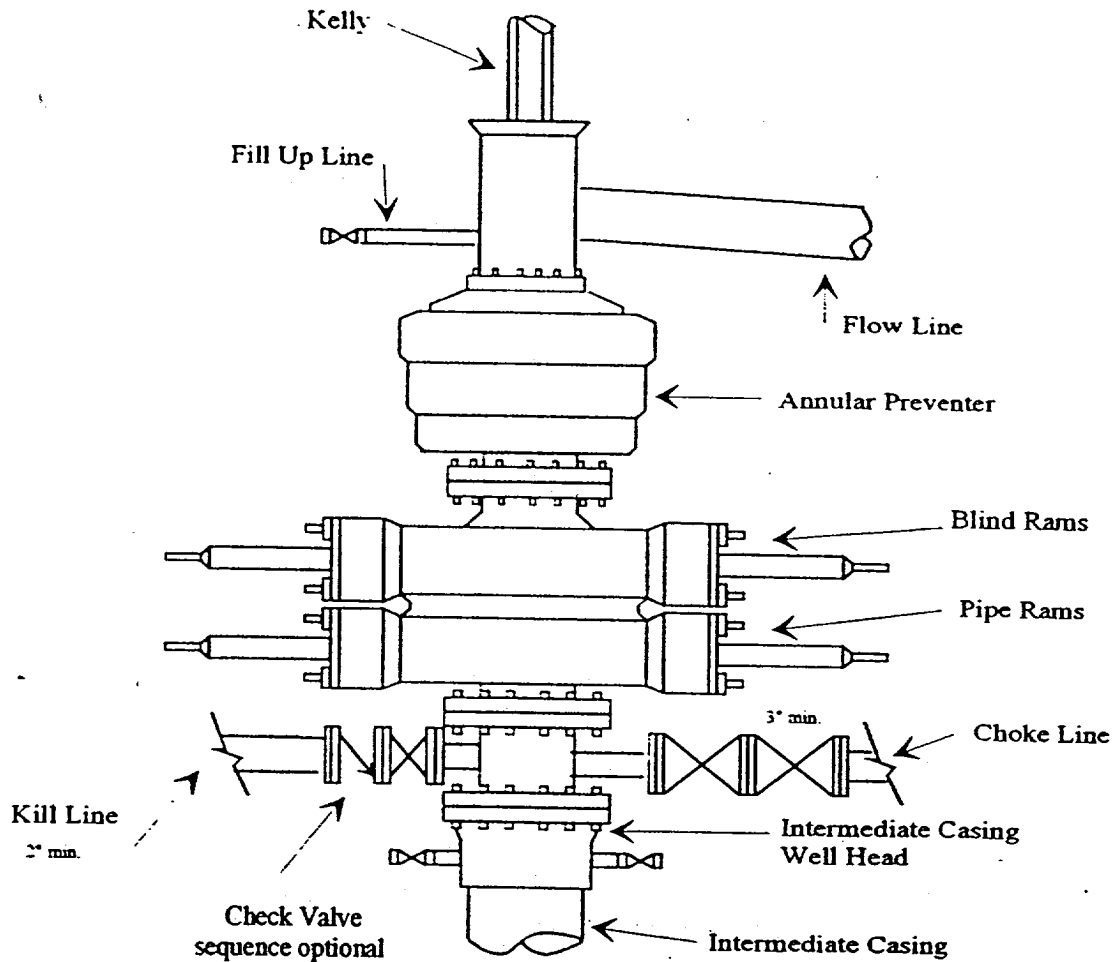
<div><p>V-3850</p><p>N.32°26'25.8"</p><p>W.103°45'49.2"</p></div>				<p>660'</p> <p>2005'</p>	
<p>OPERATOR CERTIFICATION</p> <p>I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.</p> <p><i>Clifton R. May</i></p> <p>Signature CLIFTON R. MAY</p> <p>Printed Name REGULATORY AGENT</p> <p>Title SEPTEMBER 24, 2001</p> <p>Date</p>					
<p>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>9/20/2001</p> <p>Date Surveyed</p> <p>Signature of Registered Professional Surveyor</p> <p>HERSCHEL L. JONES NEW MEXICO 3640</p> <p>Certificate No. Herschel L. Jones RLS 3640</p> <p>GENERAL SURVEYING COMPANY</p>					



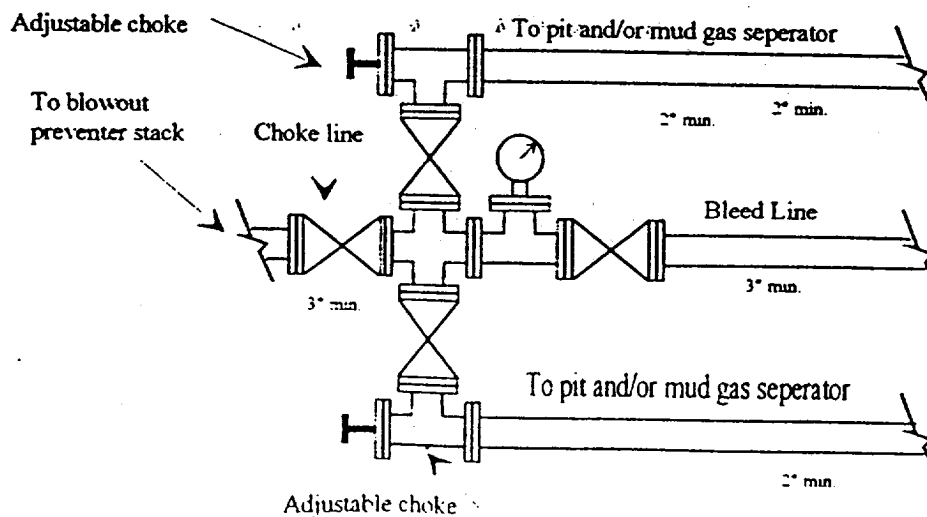
Yates Petroleum Corporation

BOP-3

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



AGREEMENT

This Agreement is entered into effective June 16, 2000 by Mississippi Potash, Inc. ("MPI"), whose address is P.O. Box 101, Carlsbad, New Mexico 88221, Pogo Producing Company ("Pogo"), whose address is P.O. Box 10340, Midland, Texas 79702, and Yates Petroleum Corporation ("Yates"), whose address is 105 South Fourth Street, Artesia, New Mexico 88210.

WHEREAS:

1. MPI is the lessee of State of New Mexico Potash Mining Lease M-4510, dated May 2, 1988, which covers, among other lands, the NE¼, N½SE¼, and SE¼SE¼ of Section 34 and All of Section 35, and State of New Mexico Potash Mining Lease MP-29 covering the W½ of said Section 34, all in Township 21 South, Range 31 East, N.M.P.M., Eddy County, New Mexico;
2. Pogo is a lessee and the operator of State of New Mexico Oil and Gas Lease V-3604, covering All of Section 35, Township 21 South, Range 31 East, N.M.P.M., Eddy County, New Mexico ("Section 35");
3. Yates is a lessee and the operator of State of New Mexico Oil and Gas Leases V-3850 and V-4100, collectively covering all of Section 34 (except the SW¼SE¼), Township 21 South, Range 31 East, N.M.P.M., Eddy County, New Mexico ("Section 34");
4. Sections 34 and 35 are within the oil-potash area of southeast New Mexico as defined in New Mexico Oil Conservation Division ("OCD") Order No. R-111-P;
5. Pogo has filed with the OCD Applications for Permits to Drill ("APD") sixteen oil wells in Section 35, which MPI has objected to by letters dated in March 1998;
6. Pogo has applied to the OCD in Case No. 12406 for approval of four of the APD's described in paragraph 5 above, and that case is scheduled for hearing at 8:15 a.m. on June 19, 2000 at the OCD's offices in Santa Fe, New Mexico; and
7. MPI, Pogo, and Yates desire to settle their differences with respect to potash operations and oil development in Sections 34 and 35. MPI shall have the right to a corridor for mining, or drifts or tunnels, through Sections 34 and 35, and Pogo and Yates shall be allowed to drill oil wells in Sections 34 and 35.

NOW, THEREFORE, IT IS AGREED THAT:

- A. MPI shall have a 1320 foot wide corridor through Sections 34 and 35, as platted on Exhibit A and described by legal subdivisions on Exhibit B;

B. Yates shall be allowed to drill oil wells in Section 34 and Pogo shall be allowed to drill oil wells in Section 35 at locations in their discretion so long as the wellbores are not within the corridor described in paragraph A above, and in Exhibits A and B, and Yates and Pogo agree not to file applications for permit to drill oil wells at locations within the corridor;

C. MPI hereby waives objection to any oil wells located in Sections 34 and 35 on oil and gas leases now owned by Yates or Pogo which comply with paragraph B above. For purposes of this Agreement, "oil well" shall mean a well drilled to a depth no deeper than 200 feet below the base of the Delaware formation. This waiver of objection by MPI shall satisfy any requirements set forth in Order No. R-111-P, and well operators shall not be required to obtain further waivers of objection from MPI with respect to oil wells in Sections 34 and 35, so long as the well locations comply with paragraph B above. In the event that the OCD requires a separate waiver for any specific location that complies with paragraph B above, MPI shall execute any such waiver consistent with the terms of this Agreement;

D. The prohibition of well locations described in paragraphs A and B above does not apply to well pads, surface facilities, gathering lines, pipelines and other facilities and equipment (except the well) that are on or near the surface;

E. Upon execution of this Agreement by all parties, Pogo shall dismiss OCD Case No. 12406;

F. This Agreement is executed by the duly authorized representatives of MPI, Pogo, and Yates, and is binding on their respective successors and assigns.

G. This Agreement is being executed in three multiple counterparts so each party may retain an original executed Agreement. Each counterpart shall be deemed an original for all purposes. The signatures of the authorized representative of each party may appear on separate signature pages and the signature pages may be reassembled to form a complete original counterpart.

Pogo Producing Company

Jerry A. Cooper

Name: Jerry A. Cooper

Title: Senior Vice President

Mississippi Potash, Inc.

Timothy A. Dawson

Name: Timothy A. Dawson

Title: Vice President & Treasurer

Yates Petroleum Corporation

Randy G. Patterson

Name: Randy G. Patterson

Title: Attorney-in-Fact

STATE OF TEXAS

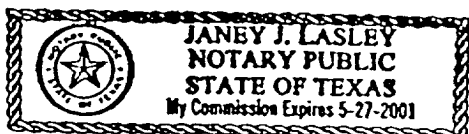
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§

COUNTY OF MIDLAND

This instrument was acknowledged before me on this 28 day of June, 2000, by Jerry A. Cooper, Senior Vice President of Pogo Producing Company, a Delaware corporation, on behalf of said corporation.

My Commission Expires:

5.27.2001



Janey J. Lasley
NOTARY PUBLIC IN AND FOR THE
STATE OF TEXAS

STATE OF NEW MEXICO

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§
§
§

COUNTY OF EDDY

This instrument was acknowledged before me on this 3 day of July, 2000, by Randy G. Patterson, Attorney-in-Fact of Yates Petroleum Corporation, a New Mexico corporation.

My Commission Expires:

3/1/02

William S. Morrow
NOTARY PUBLIC IN AND FOR THE
STATE OF NEW MEXICO

STATE OF MISSISSIPPI
COUNTY OF YAZOO

This instrument was acknowledged before me on this 25th day of July, 2000, by Timothy A. Dawson, Vice President & Treasurer of Mississippi Potash, Inc., a Mississippi corporation.

My Commission Expires:

**My Commission Expires
July 14, 2001**

Olive Olivia Heigler
NOTARY PUBLIC IN AND FOR THE
STATE OF Mississippi

EXHIBIT "A"

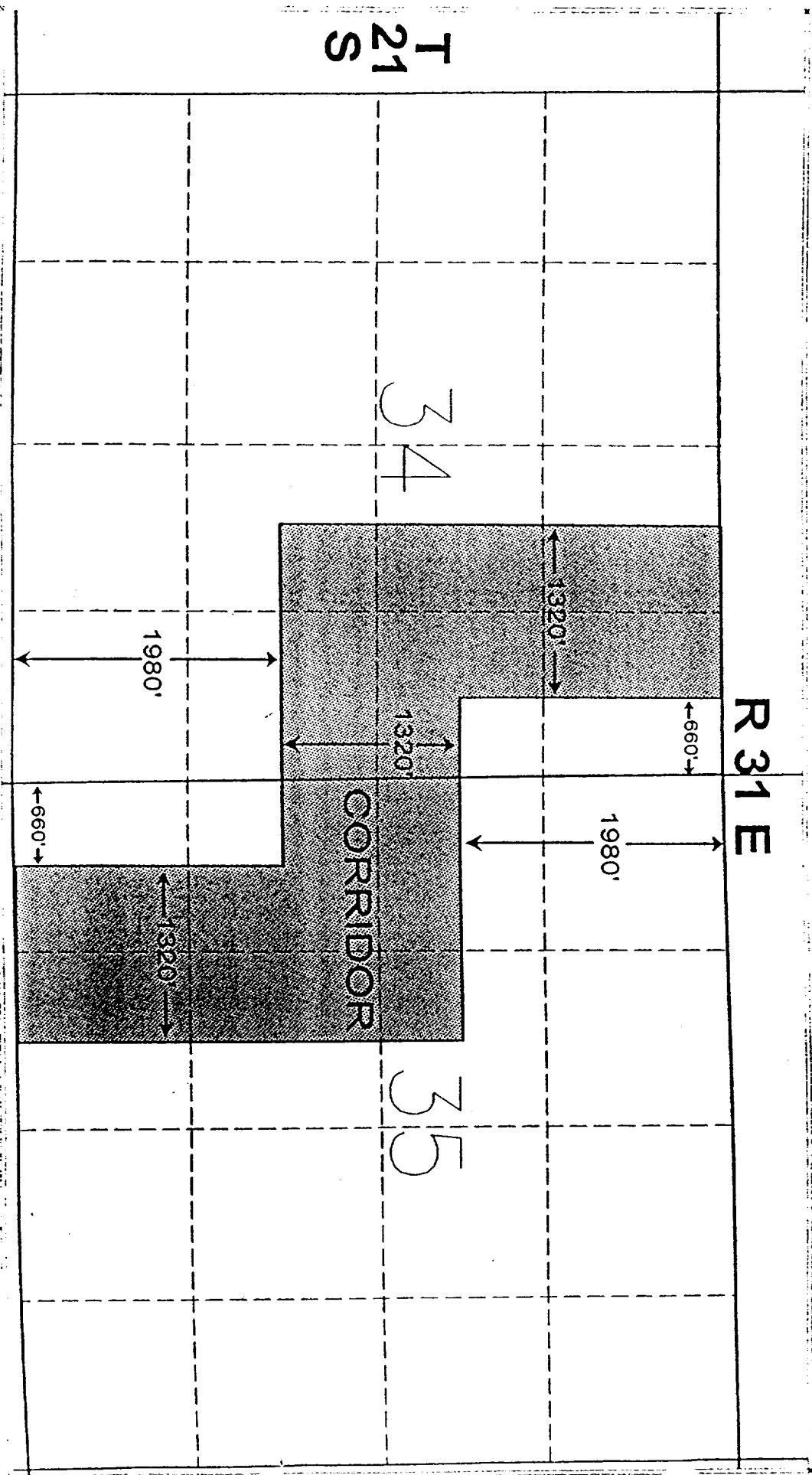


EXHIBIT B

Legal Description of Corridor

The following described lands located in Eddy County, New Mexico:

Township 21 South, Range 31 East, N.M.P.M.

Section 34: $W\frac{1}{2}NE\frac{1}{4}NE\frac{1}{4}$
 $E\frac{1}{2}NW\frac{1}{4}NE\frac{1}{4}$
 $W\frac{1}{2}SE\frac{1}{4}NE\frac{1}{4}$
 $E\frac{1}{2}SW\frac{1}{4}NE\frac{1}{4}$
 $SE\frac{1}{4}SE\frac{1}{4}NE\frac{1}{4}$
 $NE\frac{1}{4}NW\frac{1}{4}SE\frac{1}{4}$
 $N\frac{1}{2}NE\frac{1}{4}SE\frac{1}{4}$

Section 35: $S\frac{1}{2}SW\frac{1}{4}NW\frac{1}{4}$
 $SW\frac{1}{4}SE\frac{1}{4}NW\frac{1}{4}$
 $N\frac{1}{2}NW\frac{1}{4}SW\frac{1}{4}$
 $SE\frac{1}{4}NW\frac{1}{4}SW\frac{1}{4}$
 $W\frac{1}{2}NE\frac{1}{4}SW\frac{1}{4}$
 $E\frac{1}{2}SW\frac{1}{4}SW\frac{1}{4}$
 $W\frac{1}{2}SE\frac{1}{4}SW\frac{1}{4}$

For all depths from the surface down to the base of the Salado formation which is located at a subsurface depth of 2461 feet in the CNLD log (compensated neutron litho density log) of the Mary "AIV" State Well No. 5, located 660 feet FNL and 330 feet FEL of Section 36, T21S, R31E, N.M.P.M.