

C/44
Bum
9/2
OP

DISTRICT I
1625 N. French Dr., Hobbs, NM 88240

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-101
Revised March 17, 1999
Instructions on back
Submit to appropriate District Office

DISTRICT II
811 South First, Artesia, NM 88210

OIL CONSERVATION DIVISION

PO BOX 2088
Santa Fe, NM 87504-2088

State Lease - 6 Copies
Fee Lease - 5 Copies

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV
2040 South Pacheco, Santa Fe, NM 87501

☐ 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- 31605
⁴ Property Code 12328	⁵ Property Name Graham AKB State	⁶ Well No. 4

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
G	2	22S	31E		1980'	North	1650'	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					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 3536'
¹⁶ Multiple N	¹⁷ Proposed Depth 8500'	¹⁸ Formation Delaware	¹⁹ Contractor Not Determined	²⁰ Spud Date ASAP

²¹ Proposed Casing and Cement Program

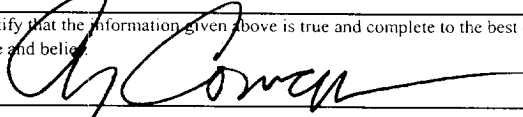
Hole Size	Casing Size	Casing weight/feet	Setting Depth	Sacks of Cement	Estimated TOC
17 1/2"	13 3/8"	48#	650'	450 sx	Surface
11"	8 5/8"	32#	4150'	1400 sx	Surface
7 7/8"	5 1/2"	15.5# + 17#	8500'	750 sx	Surface
					Surface

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 650' of surface casing will be set and cement circulated to shut off gravel and cavings. If commercial, production casing will be run and cemented, will perforate and stimulate as needed for production.

MUD PROGRAM: 0-650' FW/Native Mud; 650'-4150' Brine; 4150'-6500' Cut Brine; 6500'-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: 		OIL CONSERVATION DIVISION	
Printed name: Cy Cowan		Approved by: ORIGINAL SIGNED BY TIM W. GUM DISTRICT II SUPERVISOR	
Title: Regulatory Agent		Title:	
Date: 02/02/01		Approval Date: FEB 14 2001 Expiration Date: FEB 14 2002	
Phone: (505) 748-1471		Conditions of Appr Attached <input type="checkbox"/>	

R-111-P

Notify OCD spud & time to witness
cementing of all casing strings

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1696 N. French Dr., Hobbs, NM 88240

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811 South First, Artesia, NM 88210

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1000 Rio Brazos Ed., Aztec, NM 87410

DISTRICT IV
2040 South Pacheco, Santa Fe, NM 87506

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised March 17, 1999
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Submit to Appropriate District Office
State Lease - 4 Copies
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 Delaware
Property Code	Property Name	Well Number
	GRAHAM "AKB" STATE	4
OGRID No.	Operator Name	Elevation
025575	YATES PETROLEUM CORPORATION	3536

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
G	2	22S	31E		1980	NORTH	1650	EAST	EDDY

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.						
40									

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

1980'

1650'

V-2705

OPERATOR CERTIFICATION

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

Cy Cowan

Signature

Printed Name Cy Cowan

Title Regulatory Agent

Date February 1, 2001

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.

Date Surveyed 1/26/2001

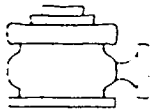
Signature & Seal of Professional Surveyor

3640

Certification No. Hecla 17 Jones RLS 3640

GRAHAM 4 C/D WL-1

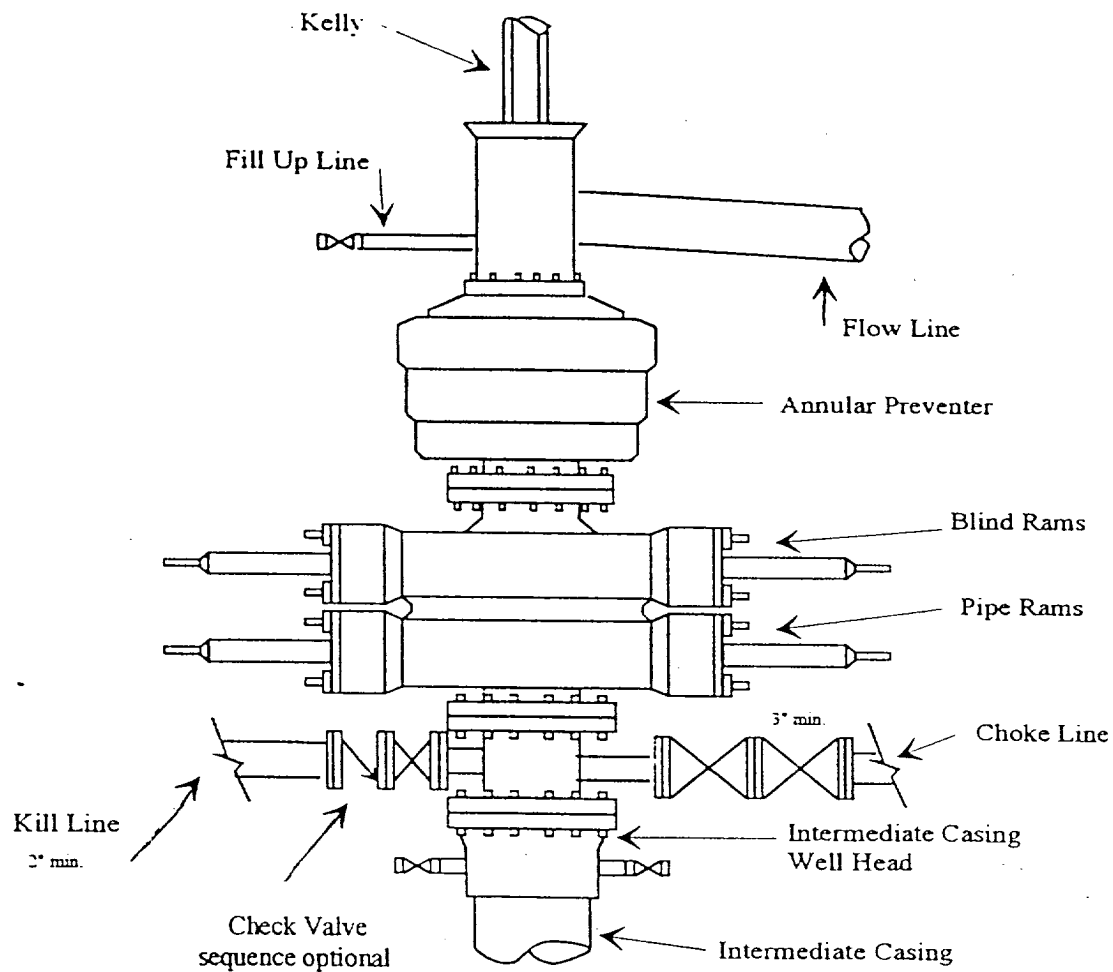
GENERAL SURVEYING COMPANY



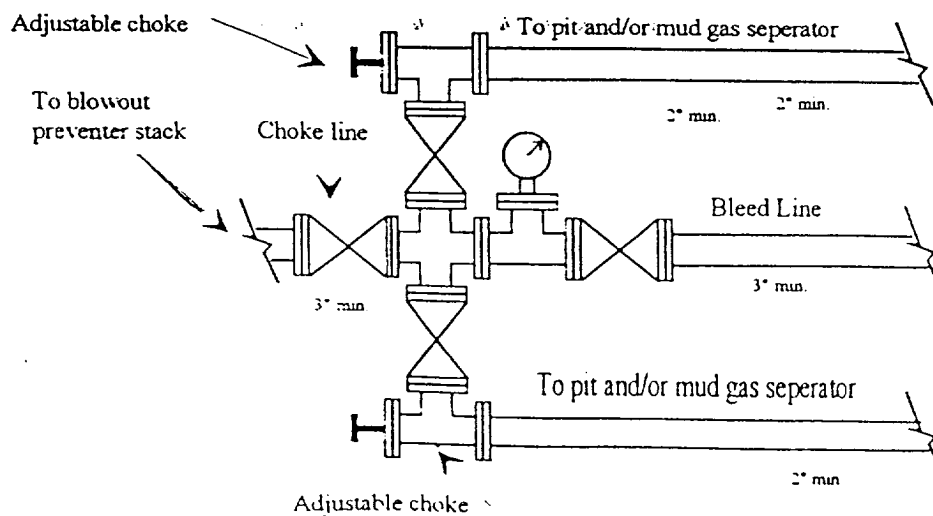
Yates Petroleum Corporation

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 November 27, 2000, by Mississippi Potash, Inc. (MPI), whose address is P. O. Box 101, Carlsbad, New Mexico, 88221, and Yates Petroleum Corporation ("YPC"), whose address is 105 South Fourth Street, Artesia, New Mexico, 88210.

WHEREAS:

1. MPI has filed an Application For Lease on State Land for Lease No. MP-0029, which covers, all the lands in Section 2, Township 22 South, Range 31, East, N.M.P.M., Eddy County, New Mexico;
2. YPC is the lessee and operator of State of New Mexico Oil and Gas Lease V-2705, covering the N/2 of Section 2, Township 22 South, Range 31 East, Eddy County, New Mexico;
3. YPC is the lessee and operator of State of New Mexico Oil and Gas Lease V-2597, covering the SW/4 of Section 2, Township 22 South, Range 31 East, Eddy County, New Mexico;
4. Section 2 is withing the oil-potash area of southeast New Mexico as defined in New Mexico Oil Conservation Division ("OCD") Order No. R-111-P;
5. YPC has filed with the OCD, Applications for Permits to Drill ("APD") the Graham "AKB" State Wells No. 3 and 4 located in the W/2 NE/4 Section 2, Township 22 South, Range 31 East, Eddy County, New Mexico;
6. MPI has previously objected to the drilling of the Graham "AKB" State Wells No. 3 and 4.
7. Other disputes have arisen between MPI, YPC and Pogo Producing Company ("Pogo"), with respect to the drilling of wells in Sections 34 and 35, Township 21 South, Range 31 East, Eddy County, New Mexico. By Agreement dated effective June 16, 2000, MPI, YPC and Pogo resolved such disputes. Nothing in the instant agreement shall change or alter said agreement.
8. MPI and YPC desire to settle their differences with respect to potash operations and oil development in Section 2. MPI shall have the right to a corridor for mining, or drifts or tunnels, through Section 2, and YPC shall be allowed to drill oil wells in Section 2.
9. ~~In the event that the State of New Mexico should fail to grant MPI's Application for Lease described in paragraph 1 above, this agreement shall terminate and MPI will not oppose YPC's drilling of wells in Section 2.~~

NOW, THEREFORE, IT IS AGREED THAT;

A. MPI shall have a 1320 foot wide corridor through Section 2, as platted on Exhibit A and described by legal subdivisions on Exhibit B:

B. YPC shall be allowed to drill oil wells in Section 2 at locations in its discretion so long as the wellbores are not within the corridor described in paragraph A above, and in Exhibits A and B, and YPC agrees 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 Section 2 on oil and gas leases now owned by YPC 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 requirement 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 Section 2, 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. This Agreement is executed by the duly authorized representatives of MPI and YPC and is binding on their respective successors and assigns.

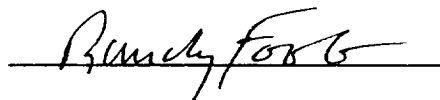
Yates Petroleum Corporation

Mississippi Potash, Inc.



Name: Randy G. Patterson

Title: Attorney-in-Fact



Name: RANDY FOUTS

Title: V.P. OPERATIONS

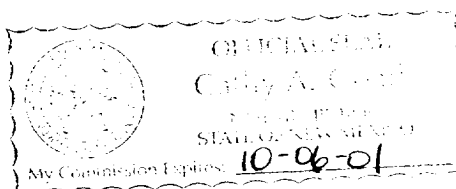
STATE OF NEW MEXICO)
 : ss.
COUNTY OF EDDY)

The foregoing instrument was acknowledged before me this 10 day of October, 2000 by Randy G. Patterson, Attorney-in-Fact of YATES PETROLEUM CORPORATION, a New Mexico corporation, on behalf of said corporation.

My commission expires:
5-1-02

William J. Hutton
Notary Public

STATE OF NEW MEXICO)
 : ss.
COUNTY OF EDDY)



The foregoing instrument was acknowledged before me this 11 day of December, 2000 by Randy Foote, V.P. of Operations of MISSISSIPPI POTASH, INC., a New Mexico corporation, on behalf of said corporation.

My commission expires:
Oct. 06, 2001

Cathy A. Good
Notary Public

EXHIBIT "A"

R 31 E

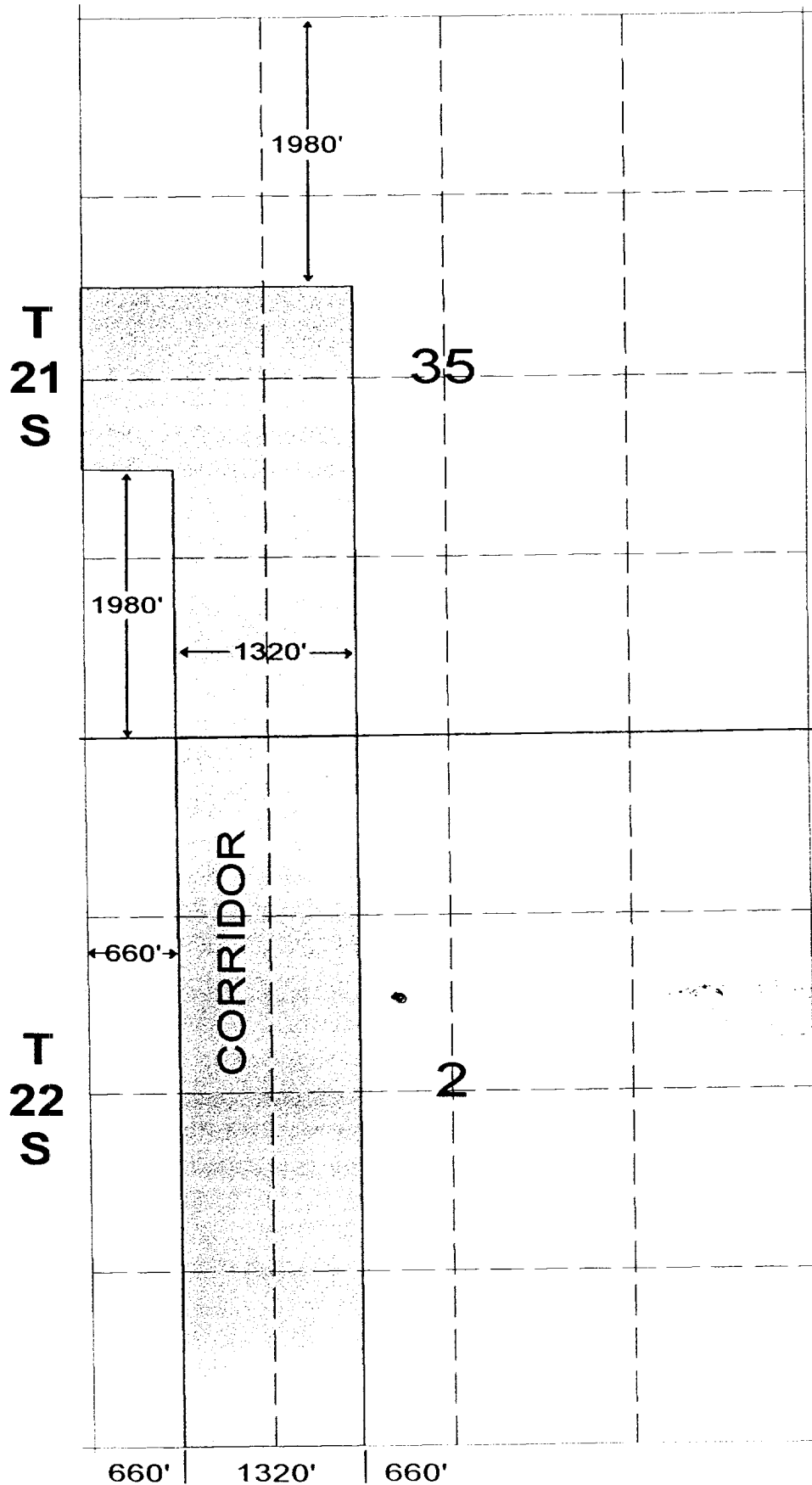


EXHIBIT B

Legal Description of Corridor

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

Township 22 South, Range 31 East, N.M.P.M.

Section 2: E/2 NW/4 NW/4
 W/2 NE/4 NW/4
 E/2 SW/4 NW/4
 W/2 SE/4 NW/4
 E/2 NW/4 SW/4
 W/2 NE/4 SW/4
 E/2 SW/4 SW/4
 W/2 SE/4 SW/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, Township 21 South, Range 31 East, N. M. P. M.