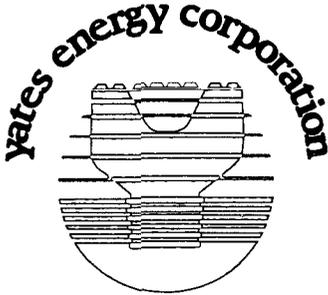


OIL CONSERVATION DIVISION
RECEIVED

1996 JAN 5 AM 8 52



January 3, 1996

State of New Mexico
Oil Conservation Division
Attn: William LeMay
2040 S. Pacheco
Santa Fe, New Mexico 87505

Re: Unorthodox well location
Diamondback Federal #1
350' FEL & 2350' FNL
Section 19, T-24-S, R-24-E
Eddy County, New Mexico

Dear Mr. LeMay:

Yates Energy Corporation respectfully requests that the OCD administratively approve in accordance with the Rules and Regulations, an unorthodox location for the subject well in Eddy County. This request is made for environmental and topographic reasons and has the support of the Bureau of Land Management

The original location submitted in 1991 by Yates Energy for the Diamondback Federal #1 was an orthodox location in the SE/4 of Section 19. The APD for that well prompted the BLM to perform an Environmental Assessment and ultimately led to the *Final Dark Canyon Environmental Impact Statement* which was published by the BLM in December, 1993. In addition, Federal Legislative action in 1993 also established a "Cave Protection Zone" which instituted no surface occupancy in the SE/4 of Section 19. As a result of the EIS and the Cave Protection Act, the location was moved to an unorthodox location at 2400' FNL & 550' FEL to protect cave resources in the area. The location was again modified by the BLM to the current location of 2350' FNL & 350' FEL after surface inspection due to the close proximity of an arroyo. The location will be a Morrow test with an E/2, 320 acre proration unit.

Subsurface geology supports a well location at either an orthodox or the unorthodox location. Yates Energy believes that directional drilling is not necessary and would unduly increase the cost of the well. We propose that the well be drilled vertically.

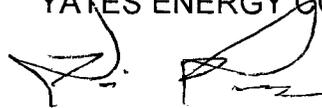
The following attachments are enclosed for your review:

1. Notice of Staking for the 2400' FNL & 550' FEL location, dated 10/27/95.
2. BLM Special Drilling Stipulations for Diamondback Federal #1, (#1-G location as named in the EIS), moving the location 200' east and 50' north.
3. BLM APD for the amended location, dated 11/10/95.
4. Map showing well location and NSO acreage with Cave Protection Zone boundaries.
5. Topographic map showing proposed location and orthodox "windows" with offset owner information.

Notice and a waiver form has been sent to Yates Petroleum Corporation as the only offset operator to this proration unit. We anticipate receiving the waiver within the next week and will forward as soon as possible.

Please review the attached data at your earliest convenience. Should you have any questions, or require additional information, please advise.

Respectfully submitted,
YATES ENERGY CORPORATION

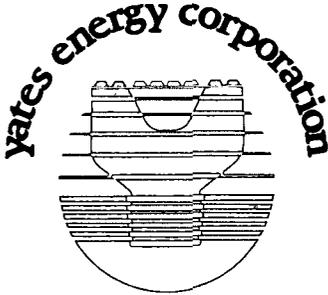


Kirk Ross
Engineer

cc: OCD - Artesia
BLM - Carlsbad

OIL CONSERVATION DIVISION
RECEIVED

1996 JAN 26 AM 8 52



January 24, 1996

State of New Mexico
Oil Conservation Division
Attn: William LeMay
2040 S. Pacheco
Santa Fe, New Mexico 87505

Re: Unorthodox well location
Diamondback Federal #1
500' FEL & 2320' FNL - amended
Section 19, T-24-S, R-24-E
Eddy County, New Mexico

Dear Mr. LeMay:

Please find attached a BLM Sundry Notice amending the proposed unorthodox location for the above referenced well. The latest revision was necessary to avoid cultural resources. Please attach to our application dated January 3, 1996 for administrative approval of the unorthodox location.

Also attached is a waiver from Yates Petroleum Corporation which is the only offset operator in the area affected by the application.

Please review the attached data at your earliest convenience. Should you have any questions, or require additional information, please advise.

Respectfully submitted,
YATES ENERGY CORPORATION

Kirk Ross
Engineer

cc: OCD - Artesia
BLM - Carlsbad

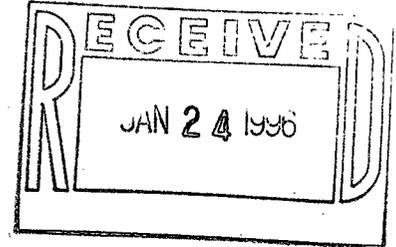
MARTIN YATES, III
1912 - 1985
FRANK W. YATES
1936 - 1986



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

January 23, 1996



Attention: Kirk Ross
Yates Energy Corporation
P. O. Box 2323
Roswell, New Mexico 88202

RE: Diamondback Federal #1
Township 24 South, Range 24 East, NMPM
Section 19
Eddy County, New Mexico

Gentlemen:

As per your request, enclosed is one (1) copy of waiver for unorthodox location for the captioned well, as set out in your January 3, 1996 letter. Said waiver has been executed on behalf of Yates Petroleum Corporation.

Very truly yours,

YATES PETROLEUM CORPORATION

A handwritten signature in cursive script that reads 'Kathy H. Porter'.

Kathy H. Porter, CPL
Landman

KHP/sls
Enclosure(s)

WAIVER

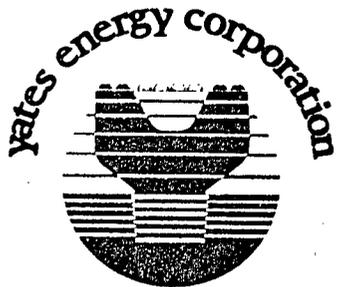
As an offset operator, **YATES PETROLEUM CORPORATION**, waives any objection before the New Mexico Oil Conservation Division for **YATES ENERGY CORPORATION** to drill it's Diamondback Federal #1 at an unorthodox location of 350' ^{300'} SW' FEL and 2350' ^{2320'} FNL of Section 19, T-24-S, R-24-E, Eddy County, New Mexico, for a 320 acre gas spacing and proration unit comprising the east half of Section 19.

By: 

Company: YATES PETROLEUM CORPORATION

Date: 1-23-96

FILE COPY



January 12, 1996

United States Department of Interior
Bureau of Land Management
Attn: Richard Manus
P.O. Box 1778
Carlsbad, New Mexico 88221-1778

Re: Diamondback Federal #1
Sec. 19, T-24-S, R-24-E
Eddy County, New Mexico

Dear Mr. Manus:

Attached is a Sundry Notice for the referenced well, amending the surface location to 2320' FNL & 500' FEL of Section 19. The location move is requested after meeting with Mr. Tony Ferguson of the Roswell District office on January 10th, and is necessary to avoid an Archeological site found east of the original location.

Should you have any questions, or require any additional information, please advise.

Yours truly,
YATES ENERGY CORPORATION

A handwritten signature in black ink, appearing to read "Kirk Ross", is written over the typed name.

Kirk Ross
Engineer

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
Budget Bureau No. 1004-0135
Expires: March 31, 1993

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to deepen or reentry to a different reservoir.
Use "APPLICATION FOR PERMIT—" for such proposals

5. Lease Designation and Serial No.
NM-62161

6. If Indian, Allottee or Tribe Name

7. If Unit or CA, Agreement Designation

8. Well Name and No.
Diamondback Federal #1

9. API Well No.

10. Field and Pool, or Exploratory Area

Serpentine Bends

11. County or Parish, State

Eddy, NM

SUBMIT IN TRIPLICATE

1. Type of Well

Oil Well Gas Well Other

2. Name of Operator

Yates Energy Corporation

3. Address and Telephone No.

P.O. Box 2323 Roswell, NM 88202 505-623-4935

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)

2320' FNL & 500' (Amended)
Section 19, T-24-S, R-24-E

12. CHECK APPROPRIATE BOX(S) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION
<input checked="" type="checkbox"/> Notice of Intent	<input type="checkbox"/> Abandonment
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Recompletion
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Plugging Back
	<input type="checkbox"/> Casing Repair
	<input type="checkbox"/> Altering Casing
	<input checked="" type="checkbox"/> Other Amend Location
	<input type="checkbox"/> Change of Plans
	<input type="checkbox"/> New Construction
	<input type="checkbox"/> Non-Routine Fracturing
	<input type="checkbox"/> Water Shut-Off
	<input type="checkbox"/> Conversion to Injection
	<input type="checkbox"/> Dispose Water

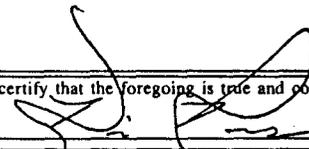
(Note: Report results of multiple completion on Well Completion or Recompletion Report and Log form.)

13. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)*

Sundry Submitted to amend location submitted on APD dated 11/10/95.
Change location to 2320' FNL & 500' FEL From 2350' FNL & 350' FEL on original application.

14. I hereby certify that the foregoing is true and correct

Signed



Title Engineer

Date

11/21/96

(This space for Federal or State office use)

Approved by

Conditions of approval, if any:

Title

Date

DISTRICT I
P.O. Box 1980, Hobbs, NM 88241-1980

DISTRICT II
P.O. Drawer DD, Artesia, NM 88211-0719

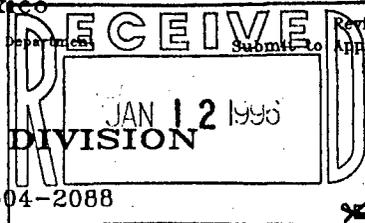
DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV
P.O. BOX 2088, SANTA FE, N.M. 87504-2088

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised February 10, 1994
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 <i>SERPENTINE BENDS</i>
Property Code	Property Name DIAMONDBACK FEDERAL	Well Number 1
OGRID No.	Operator Name YATES ENERGY CORPORATION	Elevation 4289

Surface Location

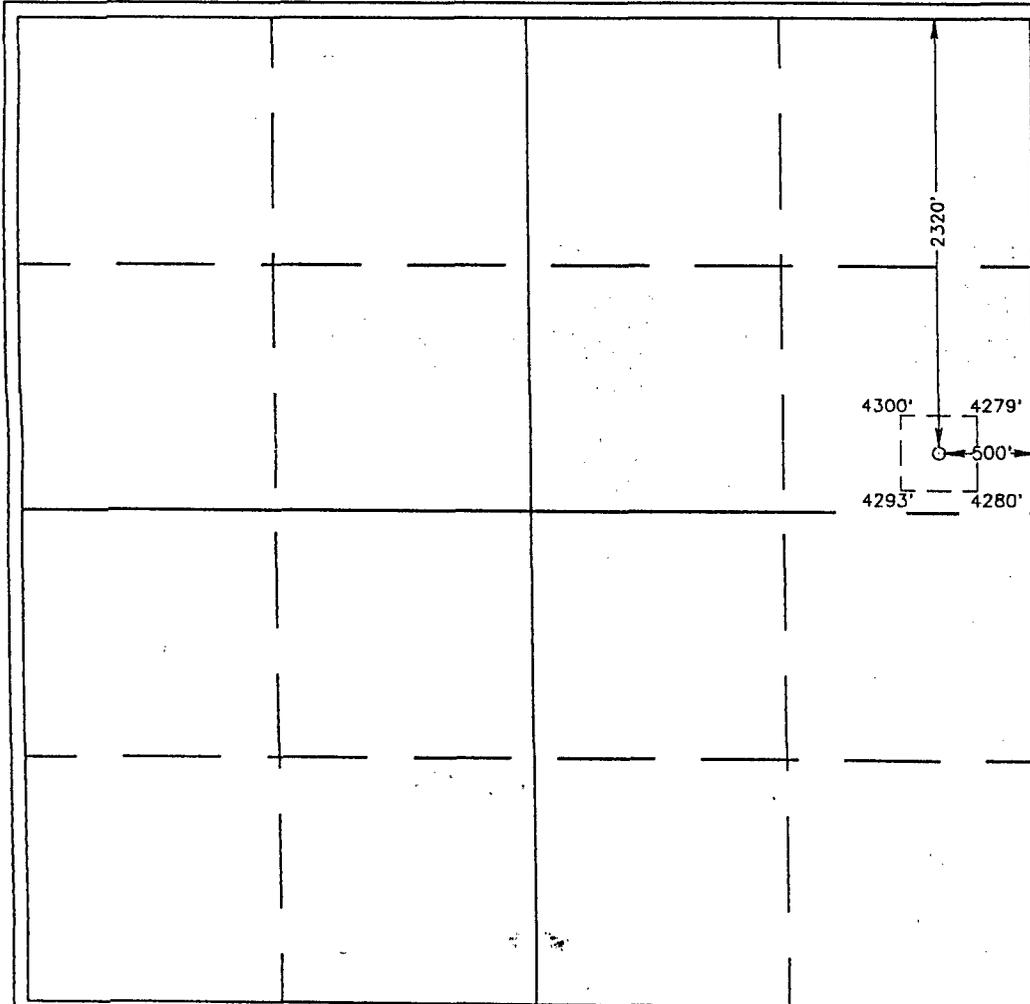
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
H	19	24 S	24 E		2320	NORTH	500	EAST	EDDY

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.

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



OPERATOR CERTIFICATION

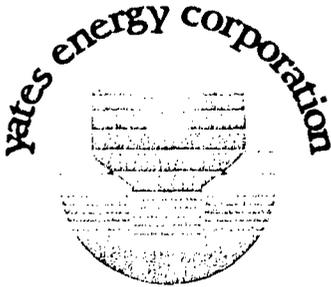
I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

[Signature]
Signature
HAR ROSS
Printed Name
ENGINEER
Title
1/12/96
Date

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.

OCTOBER 3, 1995
Date Surveyed
Signature & Seal of Professional Surveyor
[Signature]
Num. 95-81-1506
Certification of GARY EIDSON
RONALD J. WEST 876
GARY EIDSON 12641



October 27, 1995

Bureau of Land Management
Carlsbad Resource Area
P.O. Box 1778
Carlsbad, New Mexico 88220

Re: Diamondback Federal #1
Diamondback Federal #2
NM-62161
Notice of Staking
Sec 19, T-24-S, R-24-E
Eddy County, New Mexico

Dear Sirs:

Please find attached the Notice of Staking forms for the two recent wells staked in the Dark Canyon Area.

Please contact me at 505-623-4935 if there are any questions or problems with the attached forms.

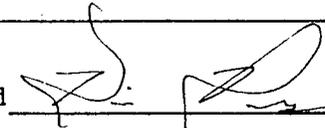
Yours truly,

Kirk Ross
Engineer

NOTICE OF STAKING

(Not to be used in place of Application for Permit to Drill Form 3160-3)

1. Oil Well <input type="checkbox"/> Gas Well <input checked="" type="checkbox"/> Other <input type="checkbox"/> (Specify)		6. Lease Number <i>NM-62161</i>	
2. Name of Operator: <i>VALES ENERGY CORPORATION</i>		7. If Indian, Allottee or Tribe Name	
3. Name of Specific Contact Person: <i>KIRK ROSS 505-623-4435</i>		8. Unit Agreement Name	
4. Address & Phone No. of Operator or Agent <i>P.O. Box 2323 ROSWELL, NM 88202</i>		9. Farm or Lease Name <i>DIAMONDBACK FEDERAL</i>	
5. Surface Location of Well <i>2400' FWL + 550' FEL</i> Attach: a) Sketch showing road entry onto pad, pad dimensions, and reserve pit. b) Topographical or other acceptable map showing location, access road, and lease boundaries.		10. Well No. <i># 1</i>	
15. Formation Objectives(s) <i>MORROW</i>		11. Field or Wildcat Name <i>WILDCAT</i>	
16. Estimated Well Depth <i>10,450</i>		12. Sec., T., R., M., or Blk and Survey or Area <i>SEC 19, T-24-S, R-24-E</i>	
17. Additional Information (as appropriate; shall include surface owner's name, address and, if known, telephone number)		13. County, Parish or Borough <i>DOY</i>	14. State <i>NM</i>

18. Signed  Title ENGINEER Date 10/26/95

Note: Upon receipt of this Notice, the Bureau of Land Management (BLM) will schedule the date of the onsite predrill inspection and notify you accordingly. The location must be staked and access road must be flagged prior to the onsite.

- Operators must consider the following prior to the onsite:
- a) H₂S Potential
 - b) Cultural Resources (Archaeology)
 - c) Federal Right of Way or Special Use Permit

IMPORTANT: SEE REVERSE SIDE FOR INSTRUCTIONS

DISTRICT I
P.O. Box 1988, Hobbs, NM 88241-1988

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised February 10, 1994
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

DISTRICT II
P.O. Drawer DD, Artesia, NM 88211-0719

OIL CONSERVATION DIVISION

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

P.O. Box 2088
Santa Fe, New Mexico 87504-2088

DISTRICT IV
P.O. BOX 2088, SANTA FE, N.M. 87504-2088

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Pool Name
Property Code	Property Name DIAMONDBACK FEDERAL	Well Number 1
OGRID No.	Operator Name YATES ENERGY CORPORATION	Elevation 4289

Surface Location

Ul. or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
H	19	24 S	24 E		2400	NORTH	550	EAST	EDDY

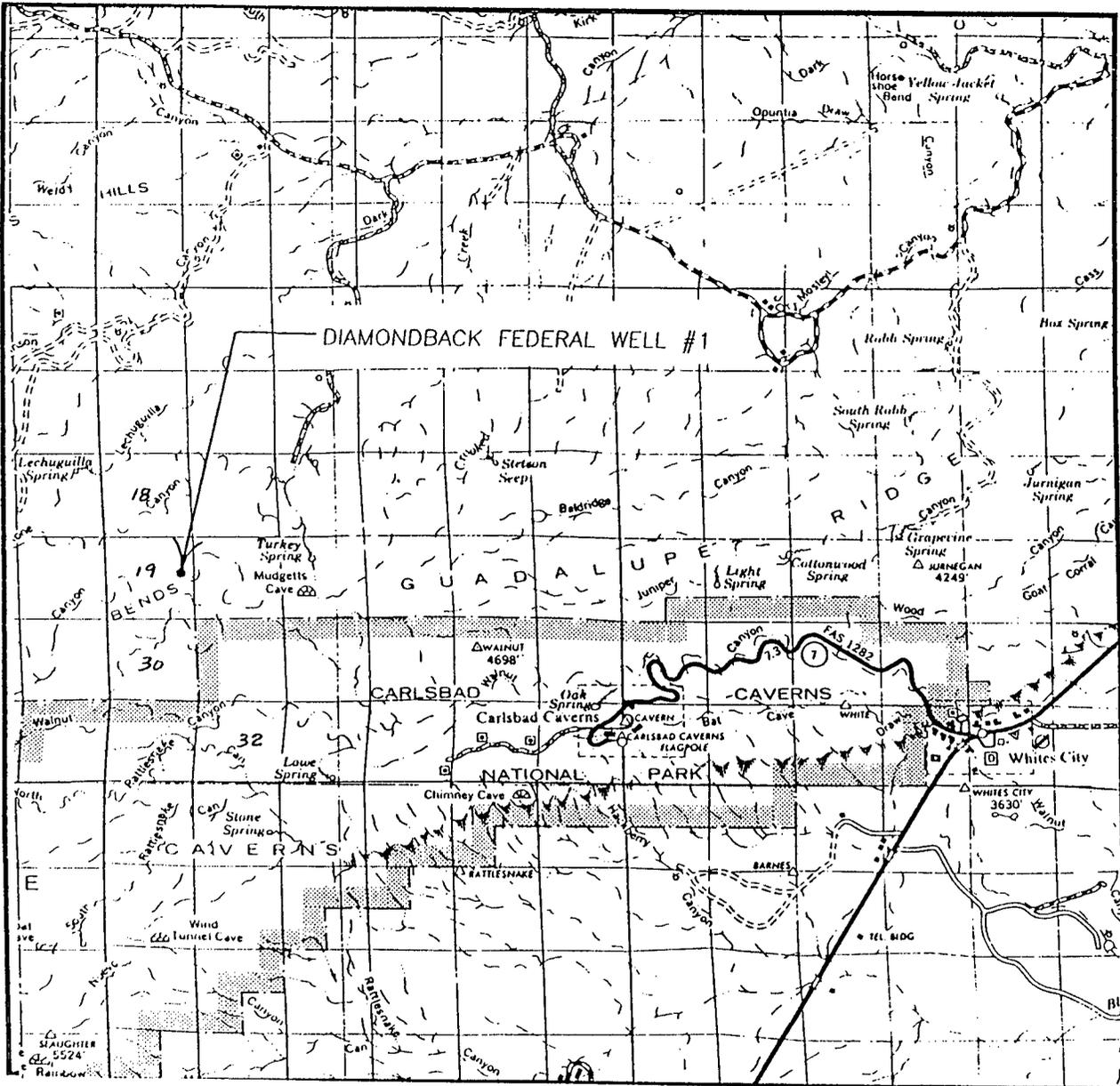
Bottom Hole Location If Different From Surface

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.						

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

	<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>Signature _____</p>	
	<p>Printed Name _____</p>	
	<p>Title _____</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>OCTOBER 3, 1995</p>		
<p>Date Surveyed _____ SJA</p>		
<p>Signature & Seal of Professional Surveyor</p> <p><i>Ronald J. Eidson</i> 10-05-95</p>		
<p>W.O. Num. 98-11-1506</p>		
<p>Certificate No. JOHN W. WEST 676 RONALD J. EIDSON 3239 GARY EIDSON 12641</p>		

VICINITY MAP



SCALE: 1" = 2 MILES

SEC. 19 TWP. 24-S RGE. 24-E

SURVEY N.M.P.M.

COUNTY EDDY

DESCRIPTION 2400' FNL & 550' FEL

ELEVATION 4289

OPERATOR YATES ENERGY COPORATION

IFASE DIAMONDBACK FEDERAL

JOHN WEST ENGINEERING
HOBBS, NEW MEXICO
(505) 393-3117

SPECIAL DRILLING STIPULATIONS

THE FOLLOWING DATA IS REQUIRED ON THE WELL SIGN

OPERATOR'S NAME Yates Energy Corp WELL NO. & NAME #1-G
LOCATION F L & F L SEC. , T. , R.
LEASE NO. COUNTY STATE

The special stipulations check marked below are applicable to the above described well and approval of this application to drill is conditioned upon compliance with such stipulations in addition to the General Requirements. The permittee should be familiar with the General Requirements, a copy of which is available from a Bureau of Land Management office. EACH PERMITTEE HAS THE RIGHT OF ADMINISTRATIVE APPEAL TO THESE STIPULATIONS PURSUANT TO TITLE 43 CFR 3165.3 and 3165.4.

This permit is valid for a period of one year from the date of approval or until lease expiration or termination whichever is shorter.

I. SPECIAL ENVIRONMENT REQUIREMENTS

- () Lesser Prairie Chicken (Stips attached) () Floodplain (Stips attached)
() San Simon Swale (Stips attached) () Other

II. ON LEASE - SURFACE REQUIREMENTS PRIOR TO DRILLING

(X) The BLM will monitor construction of this drill site. Notify the (X) Carlsbad Resource Area Office at (505) 887-6544 () Hobbs Office at (505) 393-3612, at least 3 working days prior to commencing construction.

(X) Roads and the drill pad for this well must be surfaced with 6 inches of compacted caliche.

() All topsoil and vegetation encountered during the construction of the drill site area will be stockpiled and made available for resurfacing of the disturbed area after completion of the drilling operation. Topsoil on the subject location is approximately inches in depth. Approximately cubic yards of topsoil material will be stockpiled for reclamation.

(X) Other more location 200 ft. east and 50 ft. north or 200 ft. east and 200 ft. north. V-Door North (cuttings pit to the west). Drill well utilizing a closed mud system (See attached).

III. WELL COMPLETION REQUIREMENTS

() A Communitization Agreement covering the acreage dedicated to the well must be filed for approval with the BLM. The effective date of the agreement must be prior to any sales.

() Surface Restoration: If the well is a producer, the ~~cuttings~~ pit(s) will be backfilled when dry, and cut-and-fill slopes will be reduced to a slope of 3:1 or less. All areas of the pad not necessary for production must be re-contoured to resemble the original contours of the surrounding terrain, and topsoil must be re-distributed and re-seeded with a drill equipped with a depth indicator (set at a depth of 1/2 inch) with the following seed mixture, in pounds of Pure Live Side (PLS), per acre.

- () A. Seed Mixture 1 (Loamy Site) Lehmanns Lovegrass (Eragrostis lehmanniana) 1.0 Side Oats Grass (Boutelous curtipendula) 5.0 Sand Dropseed (Sporobolus cryptandrus) 1.0
() B. Seed Mixture 2 (Sandy Sites) Sand Dropseed (Sporobolus cryptandrus) 1.0 Sand Lovegrass (Eragrostis trichodes) 1.0 Plains Bristlegrass (Setaria magrostachya) 2.0
(X) C. Seed Mixture 3 (Shallow Sites) Sideoats Grama (Boute curtipendula) 1.0 Lehmanns Lovegrass (Eragrostis lehmanniana) 1.0 or Boar Lovegrass (E. chloromalas)
() D. Seed Mixture 4 ("Gyp" Sites) Alkali Sacaton (Sporobolus airoides) 1.0 Four-Wing Saltbush (Atriplex canescens) 5.0

Seeding should be done either late in the fall (September 15 - November 15, before freeze up) or early as possible the following spring to take advantage of available ground moisture.

() Other

V-Door north (Cuttings Pit to the west). The well will be drilled utilizing a closed mud system (No reserve or mud pits) utilizing an 8 mil lined cuttings pit to hold the cuttings and steel tanks for the mud. The cuttings will be hauled off along with the 8 mil liner upon completion of the drilling to an approved depository site. No blasting will be allowed for the pit, pad, road or cellar area.

RESERVE PIT CONSTRUCTION STANDARDS

The ^{Cuttings} ~~reserve~~ pit shall be constructed entirely in cut material and lined with 8 mil plastic.

Mineral material extracted during construction of the reserve pit may be used for development of the pad and access road as needed. Removal of any additional material on location must be purchased from BLM.

Reclamation: Reclamation of this type of deep pit will consist of pushing the pit walls into the pit when sufficiently dry to support track equipment. The pit liner is NOT TO BE RUPTURED to facilitate drying; a ten month period after completion of the well is allowed for drying of the pit contents.

(the pit Liner will be removed)

The pit area must be contoured to the natural terrain with all contaminated drilling mud buried with at least 3 feet of clean soil. The reclaimed area will then be seeded as specified in this permit.

OPTIONAL PIT CONSTRUCTION STANDARDS

The reserve pit may be constructed in predominantly fill material if:

- 1) Lined as specified above and,
- 2) A borrow/caliche/gravel pit can be constructed immediately adjacent to the reserve pit and is capable of containing all reserve pit contents. The mineral material removed in the process can be used for pad and access road construction. However, a material sales contract must be purchased from BLM prior to removal of the material.

Reclamation of the reserve pit consists of bulldozing all reserve pit contents and contaminants into the borrow pit and covering with a minimum of 3 feet of clean soil material. The entire area must be recontoured, all trash removed, and reseeded as specified in this permit.

CULTURAL

Whether or not an archaeological survey has been completed and notwithstanding that operations are being conducted as approved, the lessee/operator/grantee shall notify the BLM immediately if previously unidentified cultural resources are observed during surface disturbing operations. From the time of the observation, the lessee/operator/grantee shall avoid operations that will result in disturbance to these cultural resources until directed to proceed by BLM.

TRASH PIT STIPS

All trash, junk and other waste material shall be contained in trash cages or bins to prevent scattering and will be removed and deposited in an approved sanitary landfill. Burial on site is not permitted.

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 SINGLE ZONE MULTIPLE ZONE

2. NAME OF OPERATOR
 Yates Energy Corporation

3. ADDRESS AND TELEPHONE NO.
 P.O. Box 2323 Roswell, New Mexico 88202 505-623-4935

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.*)
 At surface
 2350' FNL & 350' FEL
 At proposed prod. zone

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*
 10 miles WNW of Whites City, NM

10. DISTANCE FROM PROPOSED* LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT. (Also to nearest drlg. unit line, if any)
 350'

18. DISTANCE FROM PROPOSED LOCATION* TO NEAREST WELL, DRILLING, COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT.
 N/A

21. ELEVATIONS (Show whether DF, RT, GR, etc.)
 4279' (EST) GL

5. LEASE DESIGNATION AND SERIAL NO.
 NM-62161

6. IF INDIAN, ALLOTTED OR TRIBE NAME

7. UNIT AGREEMENT NAME

8. FARM OR LEASE NAME, WELL NO.
 Diamondback Federal #1

9. API WELL NO.

10. FIELD AND POOL, OR WILDCAT
 Serpentine Bends

11. SEC., T., R., M., OR BLK. AND SURVEY OR AREA
 Sec. 19, T-24-S, R-24-E

12. COUNTY OR PARISH | 13. STATE
 Eddy | NM

16. NO. OF ACRES IN LEASE
 1281.68

17. NO. OF ACRES ASSIGNED TO THIS WELL
 320

19. PROPOSED DEPTH
 10,450

20. ROTARY OR CABLE TOOLS
 rotary

22. APPROX. DATE WORK WILL START*

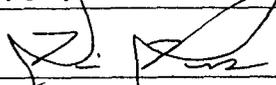
PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	GRADE SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
17 1/2"	13 3/8"	48#	350'	450 sx - circulate
12 1/4"	8 5/8"	32#	2400'	1000 sx - circulate
7 7/8"	5 1/2"	17#	10450'	1160 sx - circulate

Yates Energy Corporation proposes to drill and test the Morrow and intermediate formations. Drilling operations will include a "closed mud system" with cuttings disposed of on location.

See attached for further details.

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If 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 locations and measured and true vertical depths. Give blowout preventer program, if any.

SIGNED  TITLE Engineer DATE 11/10/95

(This space for Federal or State office use)

PERMIT NO. _____ APPROVAL DATE _____

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:

APPROVED BY _____ TITLE _____ DATE _____

*See Instructions On Reverse Side

TRICT I
 Box 1980, Hobbs, NM 88241-1080

State of New Mexico
 Energy, Minerals and Natural Resources Department

Form C-102
 Revised February 10, 1994
 Submit to Appropriate District Office
 State Lease - 4 Copies
 Fee Lease - 3 Copies

TRICT II
 Drawer DD, Artesia, NM 88211-0719

OIL CONSERVATION DIVISION

P.O. Box 2088
 Santa Fe, New Mexico 87504-2088

AMENDED REPORT

TRICT III
 Rio Brazos Rd., Aztec, NM 87410

TRICT IV
 Box 2088, SANTA FE, N.M. 87504-2088

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Pool Name <i>SERPENTINE BENDS</i>
Property Code	Property Name DIAMONDBACK FEDERAL	Well Number 1
OGUID No.	Operator Name YATES ENERGY CORPORATION	Elevation 4279' (EST)

Surface Location

Block or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
H	19	24 S	24 E		2350	NORTH	350	EAST	EDDY

Bottom Hole Location If Different From Surface

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

Dedicated Acres <i>320</i>	Joint or Infill	Consolidation Code	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

<p><i>NM-62161</i></p> <p><i>320 ACRES</i></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>[Signature]</i></p> <p>Signature</p> <p><i>Rick Ross</i></p> <p>Printed Name</p> <p>ENGINEER</p> <p>Title</p> <p><i>11/10/95</i></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>OCTOBER 3, 1995</p> <p>Date Surveyed</p> <p><i>[Signature]</i></p> <p>Signature & Seal of Professional Surveyor</p> <p><i>[Seal]</i></p> <p>NEW MEXICO</p> <p>PROFESSIONAL SURVEYOR</p> <p>NO. 95-1506</p>	
	<p>320 ACRES</p>	<p>SJA</p>
	<p>Certification No. 95-1506</p>	<p>678 3239 12641</p>

YATES ENERGY CORPORATION

Diamondback Federal #1
2350' FNL & 350' FEL
Section 19, T-24-S, R-24-E
Eddy County, New Mexico

In conjunction with Form 3160-3, Application for Permit to Drill, Yates Energy Corporation submits the following items of pertinent information in accordance with BLM requirements:

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

Base Capitan Reef	2,285'
Delaware Pay	2,890'
Bone Spring	3,330'
Wolfcamp	7,730'
Strawn	9,020'
Atoka	9,120'
Morrow Sands	9,960'
Lower Morrow	10,160'
Barnett	10,400'
TD	10,450'

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

Water	Approximately 300'
Oil	Delaware
Gas	Wolfcamp, Atoka, Morrow

3. Pressure control equipment:

BOP equipment will be installed on the 8 5/8" casing consistent with API RP 53. A schematic of the BOP is shown in Exhibit "D". 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 and will remain in use until the well is completed or abandoned. Preventors will be inspected and operated at least once daily to ensure good mechanical working order. This inspection will be recorded on the daily drilling report.

Auxiliary Equipment:

Exhibit "E" is a sketch of the proposed choke manifold. A kelly cock, pit level indicator, flow sensor equipment and a sub with a full opening valve to fit the drill pipe and collars will be available on the rig floor at all times.

4. Proposed Casing and Cementing Program:

A. Casing Program:

<u>Hole Size</u>	<u>Casing</u>	<u>WT/ft</u>	<u>Grade</u>	<u>Tread</u>	<u>Interval</u>	<u>Length</u>
17 1/2"	13 3/8"	48#	H40	8RD ST&C	0'-350'	350'
12 1/4"	8 5/8"	32#	J55	8RD ST&C	0'-2400'	2400'
7 7/8"	5 1/2"	17#	N80	8RD LT&C	0'-1600'	1600'
7 7/8"	5 1/2"	17#	K55	8RD LT&C	1600'-8300'	6700'
7 7/8"	5 1/2"	17#	N80	8RD LT&C	8300'-10450'	2150'

B. Cementing Program:

Surface Casing: 200 sx Lite Premium Plus w/ 1/2#/sk Flocele & 5# Gilsonite followed by 250 sx Premium Plus, 2% CaCl₂
Intermediate Casing: 750 sx Lite Premium Plus w/ 1/2#/sk Flocele & 10# Gilsonite followed by 250 sx Premium Plus, 2% CaCl₂
Production Casing: 1st Stage: 700 sx Premium w/ 0.3% Halad-322, 0.4% Halad-344, 5# KCl.
DV tool @ 7500'
2nd Stage: 1060 sx Lite Premium, 1/4# Flocele, 5# salt followed by 100 sx Premium neat.

5. Mud program:

<u>Interval</u>	<u>Type</u>	<u>Weight</u>	<u>Viscosity</u>	<u>Fluid Loss</u>
0'-300'	Fresh spud	8.3# - 8.6#	30 - 40	N/C
300' - 2400'	Fresh water	8.3#	28	N/C
2400' - 9000'	Cut Brine	8.6# - 8.8#	28	N/C
9000' - TD	XC/Starch	8.6# - 9.2#	34 - 38	8 - 10 cc

Sufficient mud and materials to maintain mud properties, control lost circulation and contain a blowout will be available at the well site during drilling operations. Mud will be checked hourly by rig personnel.

6. Evaluation Program:

Samples: 10' samples from 2400' - TD.
Logging: CNL-LDT from TD to 2400'.
GR-CNL from 2400' - surface.
DLL-MSFL from TD to 2400'.
Coring: None planned
DST's: As warranted by drilling breaks and shows.

7. Abnormal conditions and potential hazards:

Anticipated BHP: 9.2#/gal gradient
Lost Circulation: Surface and Intermediate holes
H₂S zones: None anticipated
Maximum BHT: 150° F

8. Anticipated starting date:

Plans are to drill this well 30-60 days after receiving approval. It should take approximately 45 days to drill this well with completion taking another 10 days.

MULTI-POINT SURFACE USE AND OPERATIONS PLAN

Diamondback Federal #1
2350' FNL & 350' FEL
Section 19, T-24-S, R-24-E
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 the rehabilitating the surface after completion of the operations, so that a complete appraisal can be made of the environmental effects associated with the operations.

1. EXISTING ROADS:

Exhibit A is a portion of the USGS topographic map showing the well location. The proposed wellsite is located approximately 23 miles southwest of Carlsbad, New Mexico and the access route to the location is indicated in yellow and green on Exhibit "A-1" and "A-2".

DIRECTIONS:

1. Go south of Artesia on US 285 to State Hyw 137 (Sitting Bull Falls Road), turn west.
2. Go 20.5 miles on Hwy 137 to Eddy CR 408 (Dark Canyon Hwy), turn left.
3. Go 7.6 miles on 408, turn south on existing caliche road. (Lechuguilla Canyon Road).
4. Go 1.6 miles to fork, take left fork.
5. Go 0.6 miles to "T", turn right.
6. Go approximately 4.8 miles.
7. New road to begin here, turn right.

2. PLANNED ACCESS ROAD:

- A. The proposed new access road will be approximately 600' in length from the point of origin to the northeast of the drilling pad. The road will lie in a northeast to southwest direction.
- B. The new road will be 14 feet in width and will be adequately drained to control runoff and soil erosion.
- C. The new road will be flat bladed with drainage on one side if necessary. No traffic turnouts will be required.
- D. The route of the road is flagged with blue flagging.
- E. Existing roads will be maintained in the same or better condition.

3. LOCATION OF EXISTING WELLS:

- A. Existing wells within a two mile radius are shown on Exhibit "B".

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 of oil, a gas or diesel self-contained power 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 this well with fresh water and a cut brine system. The fresh water will be obtained from a private water well in the vicinity and will be piped by a temporary polyethylene pipe on the surface to the drilling pad. Brine water and additional fresh

water if necessary will be obtained from a commercial source and will be trucked to the location over existing and proposed roads shown in Exhibit "A".

6. SOURCE OF CONSTRUCTION MATERIALS:

- A. Material to construct the pad and proposed road will be obtained from the extracted material from the cuttings pit. If additional material is needed, this material will be obtained from the closest caliche pit in the area and the Contractor will be responsible for obtaining any permits and pay any fees. The topsoil, if any, will be stockpiled near the location for future rehabilitation use.

7. METHODS OF HANDLING WASTE DISPOSAL:

- A. The well will be drilled utilizing a closed mud system with no reserve pit. Drill cuttings will be disposed of in a specially constructed cuttings pit. The pit will be lined with 8 mil thick plastic. The pit will be backfilled after the drill cuttings are dry and able to support tracked machinery.
- B. Drilling fluids will be contained in steel tanks during drilling operations in a closed mud system. After completion of drilling operations, the mud will be hauled off location and disposed of in an approved disposal facility.
- C. All pits will be fenced with normal fencing material to prevent livestock from entering the area.
- D. Water produced during operations will be collected in tanks until hauled to an approved disposal system, or separate disposal application will be submitted to the BLM for approval.
- E. Oil produced during operations will be stored in tanks until sold.
- F. All trash, junk, and other waste material will be contained in trash trailers or bins to prevent scattering and will be removed and deposited in an approved sanitary landfill.
- G. All trash and debris will be removed from the wellsite within 30 days after finishing drilling and/or completion operations.

8. ANCILLARY FACILITIES:

- A. No airstrip, campsite, or other facilities will be built as a result of this operation.

9. WELLSITE LAYOUT:

- A. Exhibit "C" shows the relative location and dimensions of the well pad, the cuttings pit, the location of the drilling equipment, rig orientation and access road approach.
- B. The cuttings pit area will be plastic lined.
- C. A 400' X 400' area has been staked and flagged.

10. PLANS FOR RESTORATION:

- A. After completion of the drilling and/or completion operations, all equipment and other material not needed for the future 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, will be fenced until they have dried and leveled.
- C. If the proposed well is non-productive, all rehabilitation and/or vegetation requirements of the BLM will be complied with and will be accomplished as expeditiously as possible.

11. SURFACE OWNERSHIP:

Bureau of Land Management - Carlsbad, New Mexico
Livestock Grazing Permit:
Mr. Bill Hoyle
P.O. Box 106
Pearsall, TX 78061

12. OTHER INFORMATION:

- A. Topography: Please 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 livestock grazing.

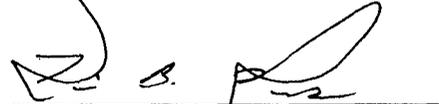
13. OPERATORS REPRESENTATIVE:

- A. The field representative responsible for assuring compliance with the approved surface use and operations plan is as follows:

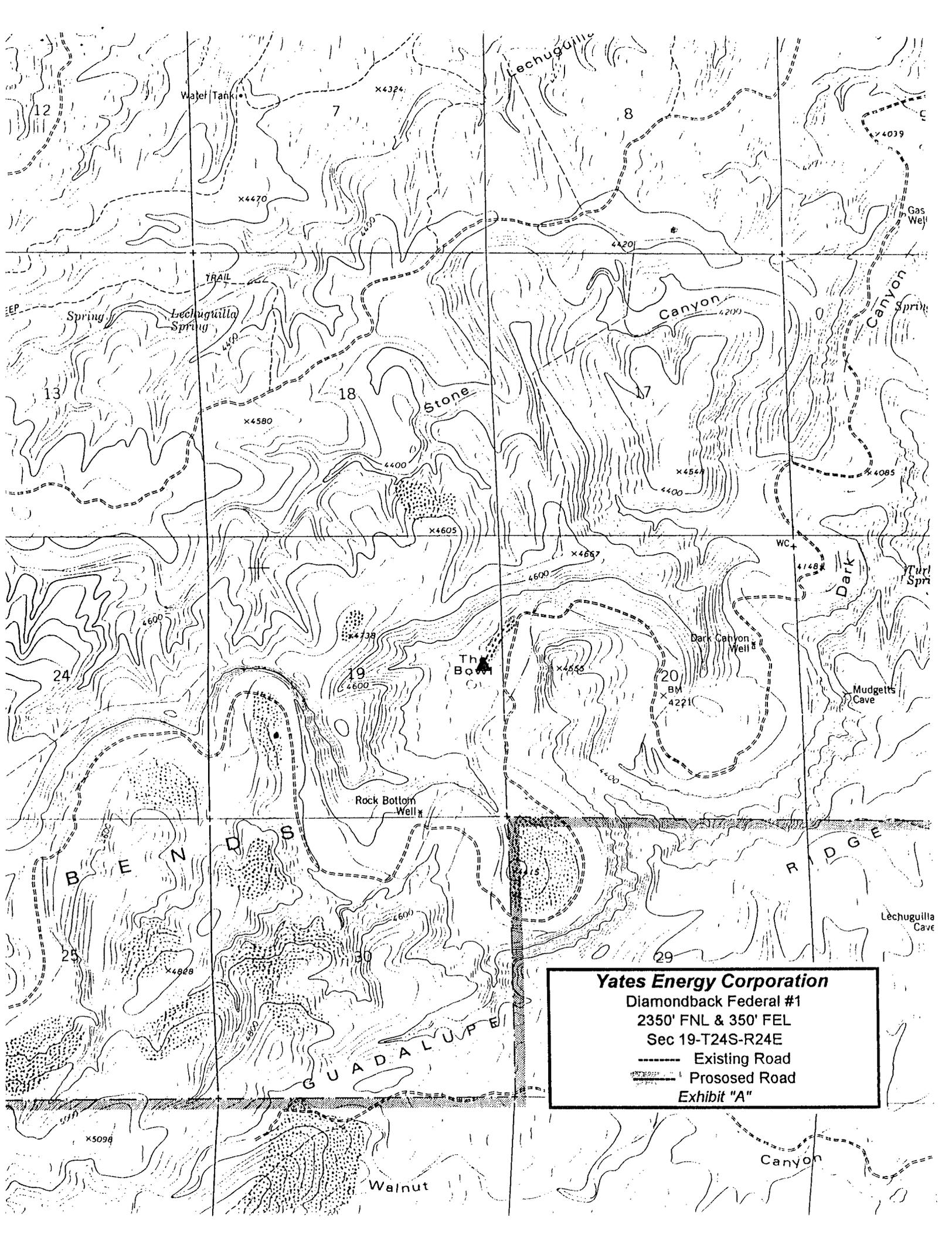
Kirk Ross, Engineer
Yates Energy Corporation
P.O. Box 2323
Roswell, New Mexico
Office: 505-623-4935
Home: 505-625-2155
Mobile: 505-626-7006

14. CERTIFICATION:

I hereby certify that I 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 Energy 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.



Kirk B. Ross
Engineer
Yates Energy Corporation



Yates Energy Corporation
 Diamondback Federal #1
 2350' FNL & 350' FEL
 Sec 19-T24S-R24E
 ----- Existing Road
 - - - - - Proposed Road
Exhibit "A"

<p>OXY 2-1-93 56342 Tenneco 34 U.S.</p>	<p>(Sonal Expt) (50) 57221 35 U.S.</p>	<p>2-1-98 VA 804 18 22 36 U.S.</p>	<p>Marala 9-1-93 76948 24 00 31 U.S.</p>	<p>Yates Pet, etal 8-1-93 Vb 243 18 22 32 State</p>	<p>63340 72553 K65 33 BTA 63941 U.S.</p>	<p>63 BTA 8770 U.S.</p>
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<p>Mitchell Ener 4-9-96 3 State</p>	<p>(Sonal Expt) OXY LK 1083 2 State</p>	<p>OXY 5-1-93 55886 1 U.S.</p>	<p>M J Harvey, Jr 2-1-98 VA 807 17 22 6 State</p>	<p>Mitchell Ener 9-1-93 76950 17 22 5 U.S.</p>	<p>Hondo O E G C 2 4 U.S.</p>	<p>U.S.</p>
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<p>Yates Pet, etal 1-1-93 LH 2094 26 88 10 State</p>	<p>OXY 2-1-94 V 2881 40 21 11 State</p>	<p>Oxy 6-1-94 56703 12 U.S.</p>	<p>Mitchell Ener 3-1-93 76950 17 22 7 U.S.</p>	<p>Yates Pet, etal Suburban Propane Exama Oil 1/2 4 80 8 U.S.</p>	<p>YATES PET (OPER) LECHUGUILLA CANY UNIT 9 U.S.</p>	<p>U.S.</p>
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<p>Yates Pet, etal 8-1-95 V 3378 16 22 15 State</p>	<p>Wiser Oil 6-1-96 V 3735 18 22 14 State</p>	<p>D R. Curry 7-1-93 56346 13 U.S.</p>	<p>Yates Ener, Corp. 3-1-91 88095 2 00 18 U.S.</p>	<p>Sub Expt Amer. Trad. (Exama Oil) 12 29 17 U.S.</p>	<p>Marala, Inc. L 240 16 State</p>	<p>U.S.</p>
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<p>Collins F. Ware 6-1-96 86515 2 00 22 State</p>	<p>UTI Ener, etal 10-1-95 62161 19 U.S.</p>	<p>Yates Ener, etal 10-1-95 62161 20 U.S.</p>	<p>Holly Pet Richard Barr, etal 10-1-94 81894 2200 29 U.S.</p>	<p>Holly Pet Ashland Pet. 7-13-92 21 U.S.</p>	<p>Richard Barr, etal 10-1-94 81894 2200 29 U.S.</p>	<p>U.S.</p>
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<p>H.L. Brown, Jr. 11-1-95 V 3461 18 22 27 State</p>	<p>Yates Pet, etal 8-1-95 V 3359 16 22 26 State</p>	<p>Bruce Anderson 1-1-2001 84001 25 U.S.</p>	<p>UTI Ener, etal 10-1-95 62161 30 U.S.</p>	<p>E. J. Levers 11-21-77 L 432 1 58 29 U.S.</p>	<p>Richard Barr, etal 10-1-94 81894 2200 29 U.S.</p>	<p>U.S.</p>
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<p>H.L. Brown, Jr. 1-1-96 85841 2 29 34 U.S.</p>	<p>H.L. Brown, Jr. 1-1-96 85841 2 29 35 U.S.</p>	<p>Yates Pet Serpentine Bends Unit 10-1-90 DIA 3-4-85 36 State</p>	<p>E. J. Levers 11-21-77 L 432 1 58 31 U.S.</p>	<p>E. J. Levers 11-21-77 L 432 1 58 32 State</p>	<p>E. J. Levers 11-21-77 L 432 1 58 33 U.S.</p>	<p>U.S.</p>
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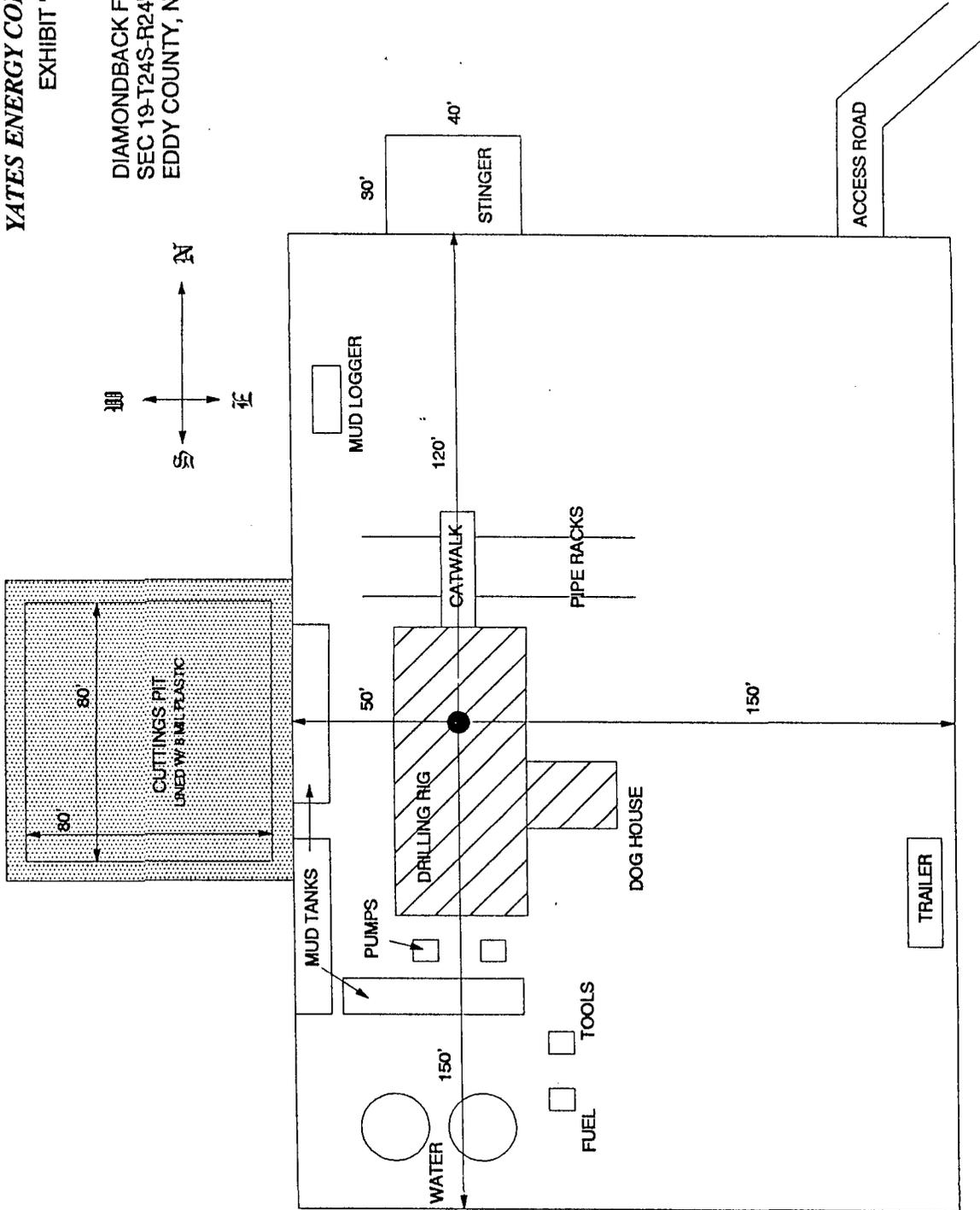
Yates Energy Corporation
 Diamondback Federal #1
 2350' FNL & 350' FEL
 Sec 19-T24S-R24E
 Exhibit "B"

CARI SRAD

CAVERNS

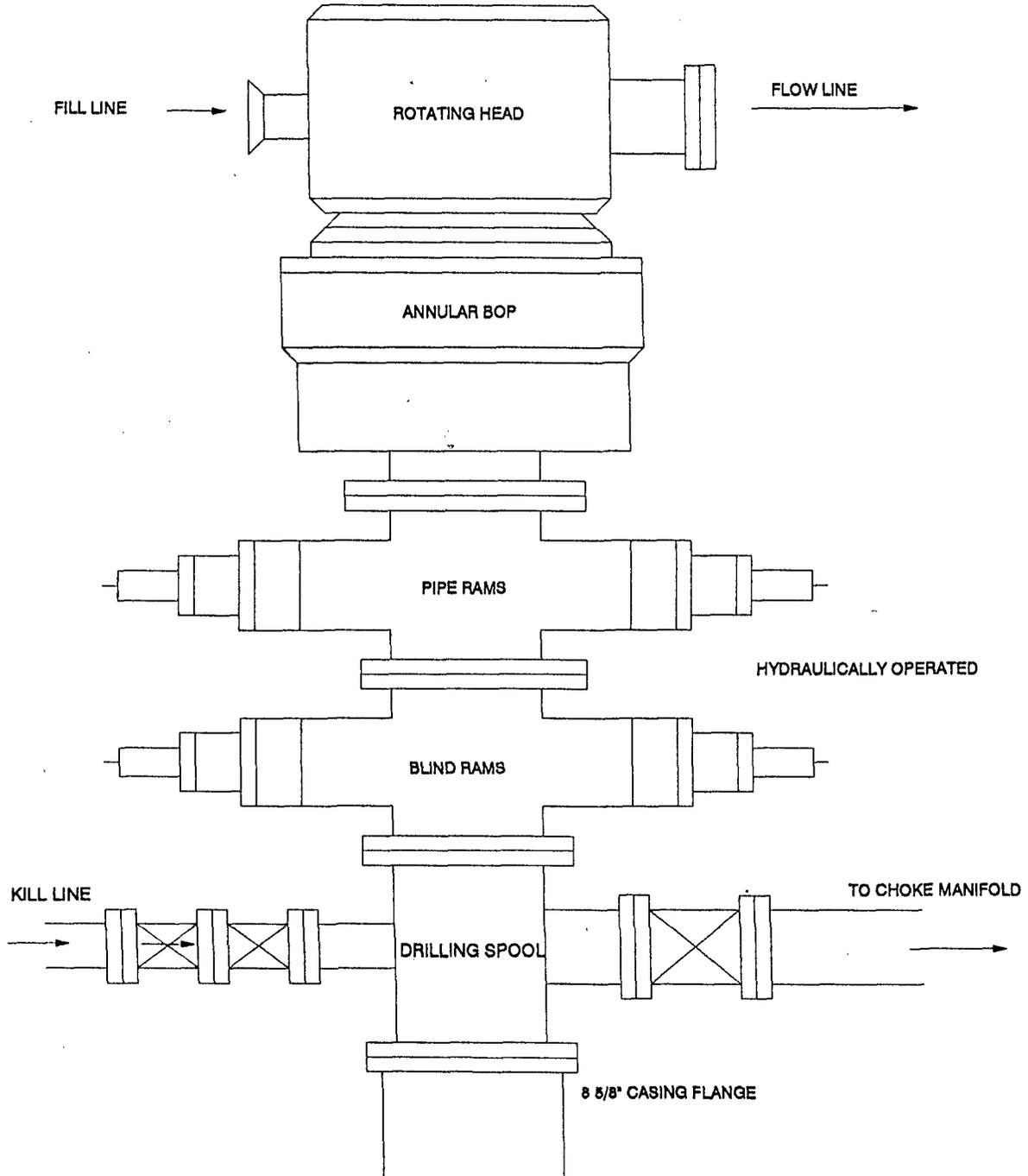
YATES ENERGY CORPORATION
EXHIBIT "C"

DIAMONDBACK FEDERAL #1
SEC 19-T24S-R24E
EDDY COUNTY, NEW MEXICO



YATES ENERGY CORPORATION

EXHIBIT "D"
DIAMONDBACK FEDERAL #1
SEC 19-T24S-R24E
EDDY COUNTY, NEW MEXICO

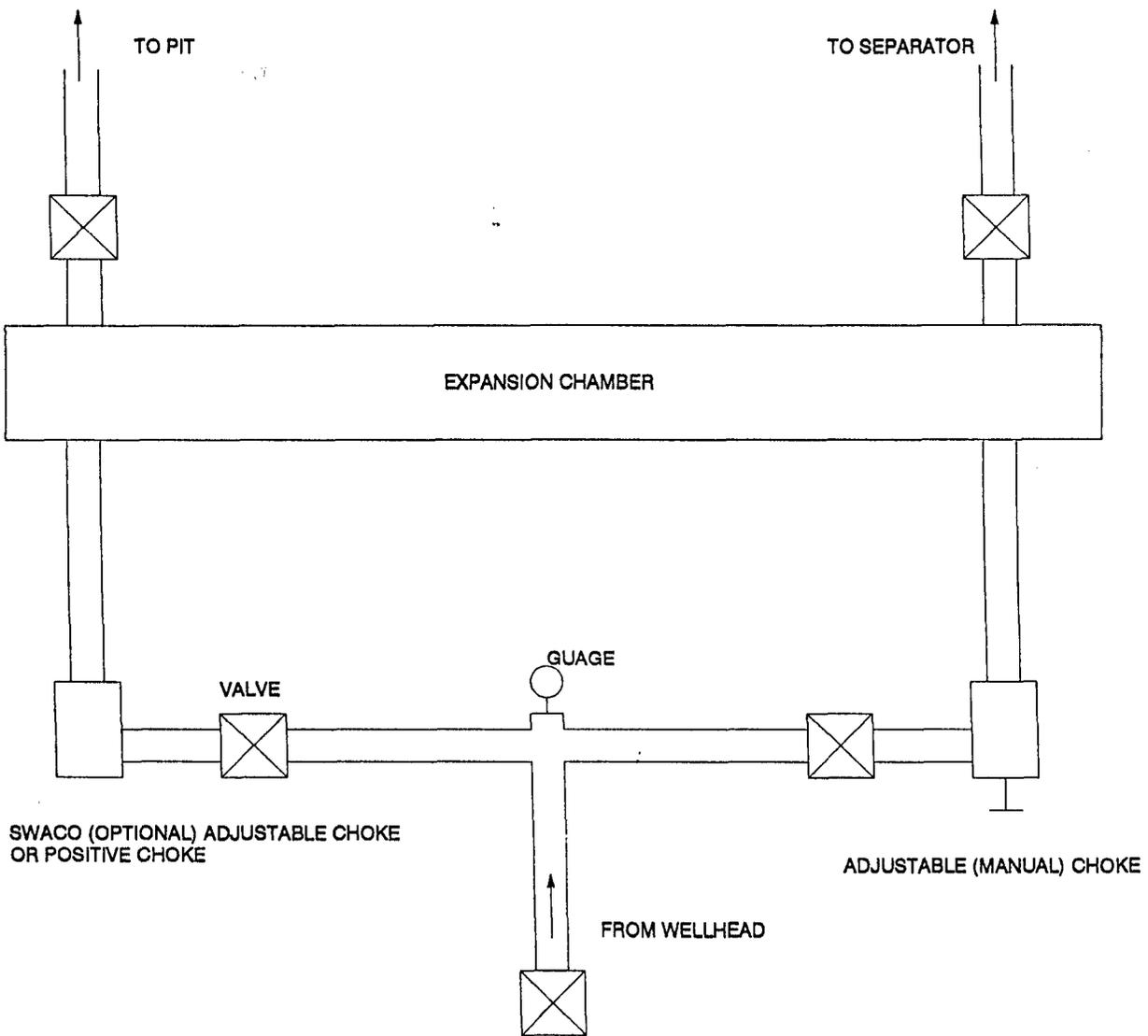


YATES ENERGY CORPORATION

CHOKE MANIFOLD DIAGRAM

EXHIBIT "E"

DIAMONDBACK FEDERAL #1
SEC 19, T-24-S, R-24-E
EDDY COUNTY, NEW MEXICO



**YATES ENERGY CORPORATION
DIAMONDBACK FEDERAL #1**

**T-24-S, R-24-E
EDDY COUNTY, NEW MEXICO**

LEGEND:

-  YATES ENERGY - DIAMONDBACK FEDERAL #1
-  CAVE PROTECTION ZONE BOUNDARY
-  PARK BOUNDARY
-  NSO ACREAGE
-  NSO DUE TO CPZ

SCALE:
2000 FEET

