

N.M. Oil Cons. DIV-Dist. 2
1301 W. Grand Avenue
Artesia, NM 88210

Form 3160-3
(August 1999)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

RECEIVED

JUL 15 2004

APPLICATION FOR PERMIT TO DRILL OR REENTER

UCD-ARTESIA

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

5. Lease Serial No.

NM-33944

6. If Indian, Allottee or Tribe Name

7. If Unit or CA Agreement, Name and No.

8. Lease Name and Well No.

Shelly Federal #2

9. API Well No.

30-005-63412

10. Field and Pool, or Exploratory

Wildcat Precambrian

11. Sec., T., R., M., or Blk, and Survey or Area

Section 23-T9S-R24E

12. County or Parish

Chaves County

13. State

NM

1a. Type of Work: ☒ DRILL ☐ REENTER

b. Type of Well: ☐ Oil Well ☒ Gas Well ☐ Other ☐ Single Zone ☐ Multiple Zone

2. Name of Operator

Yates Petroleum Corporation

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' FSL and 1980' FEL

At proposed prod. Zone

Same as the above

14. Distance in miles and direction from nearest town or post office*

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

800.00

17. Spacing Unit dedicated to this well

S/2 320.00

18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft.

19. Proposed Depth

5085'

20. BLM/BIA Bond No. on file

585997

21. Elevations (Show whether DF, KDB, RT, GL, etc.)

3572' GL

22. Approximate date work will start*

ASAP

23. Estimated duration

15 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.

2. A Drilling Plan.

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.

4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above).

5. Operator certification.

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

10/22/03

Title:

Regulatory Agent

Approved by (Signature)

/s/ LARRY D. BRAY

Name (Printed/Typed)

LARRY D. BRAY

Date

JUL 12 2004

Title

Assistant Field Manager,
Lands And Minerals

Office

ROSWELL FIELD OFFICE

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.

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)

Cement to cover all oil, gas and
water bearing zones.

i.e. Gleaners

PREVIOUSLY APPROVED

APPROVED FOR 1 YEAR

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

1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico

Energy, Minerals & Natural Resources Department

Form C-102

Revised August 15, 2000

OIL CONSERVATION DIVISION

1220 South St. Francis Dr.

Santa Fe, NM 87505

Submit 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 PreCambrian	
⁴ Property Code		⁵ Property Name Shelly Federal			⁶ Well Number 2
⁷ OGRID No. 025575		⁸ Operator Name Yates Petroleum Corporation			⁹ Elevation 3572

¹⁰ Surface Location

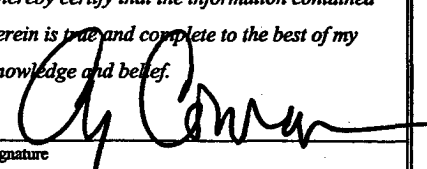
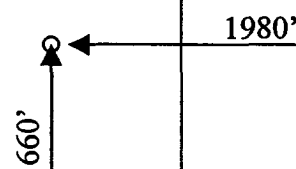
UL or lot no. O	Section 23	Township 9S	Range 24E	Lot Idn	Feet from the 660	North/South line South	Feet from the 1980	East/West line East	County Chaves
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¹¹ Bottom Hole Location If Different From Surface

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 320.00	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 Cy Cowan Printed Name Regulatory Agent Title 10/22/2003 Date	
NM-33944				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. REFER TO ORIGINAL PLAT Date of Survey Signature and Seal of Professional Surveyor:	
				Certificate Number	

DISTRICT I
P.O. Box 1880, Hobbs, NM 88240

DISTRICT II
P.O. Drawer DD, Artesia, NM 88210

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

State of New Mexico

Energy, Minerals and Natural Resources Department

Form C-103
Revised February 10, 1994
Instruction on back
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 Wildcat Percambrian
Property Code	Property Name SHELLY FEDERAL	Well Number 2
OGHD No. 025575	Operator Name YATES PETROLEUM CORPORATION	Elevation 3572

Surface Location

UL or lot No. 0	Section 23	Township 9S	Range 24E	Lot Idn	Feet from the 660	North/South line SOUTH	Feet from the 1980	East/West line EAST	County CHAVES
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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
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Dedicated Acres 320.00	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

NM-33944			

3571 3571

3569 660 3570

1980'

OPERATOR CERTIFICATION

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

Cy Cowan

Signature

Cy Cowan

Printed Name

Regulatory Agent

Title

6-7-00

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.

5/30/2000

Date Surveyed

Signature & Seal of Professional Surveyor

HERSCHEL JONES

NEW MEXICO

3640

Certificates No. Herschel J. Jones RLS 3640

SHELLY 2

LANDISK 29

GENERAL SURVEYING COMPANY

YATES PETROLEUM CORPORATION
SHELLY FEDERAL #2
660' FSL & 1980' FEL
Section 23, T9S-R24E
Chaves County, New Mexico

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

San Andres	625'
Glorieta	1260'
Yeso	1385'
Tubb	2810'
Abo	3550'
Basement Granite	4985'
TD	5085'

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

Water: 200'-300'
Oil or Gas: 3550' to 5085'

3. Pressure Control Equipment: BOPE will be installed on the 8 5/8" casing and rated for 2000# 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>
12 1/4"	8 5/8"	24#	J55	ST&C	0-900'	900' 175'
7 7/8"	4 1/2"	15.5#	J55	ST&C	0-5085'	5085'

1. Minimum Casing Design Factors: Collapse 1.125, Burst 1.0, Tensile Strength 1.80

2. A 2,000 psi BOP will be nipped up on the 8 5/8" casing and tested to 500 psi. YPC requests a variance be granted in requiring the casing and BOPE to be tested to 2000 psi to testing the casing and BOPE to 500 psi. The rig pumps will be used to test the casing and BOPE. Rig pumps used in this area cannot safely test above 500 psi. We would have to go to the greater expense of hiring an independent service company to do the testing. Also, the bottom hole pressure in this field is proven to be near 500 psi due to depletion. A shut in surface pressure would be less than 500 psi. The Abo formation usually requires stimulation before it flows. We feel that a 500 psi test will demonstrate that the BOPE is functioning properly, and in the unlikely event of a gas influx that the BOPE would be sufficient to control the well."

not An Abo well

B. CEMENTING PROGRAM:

Surface casing: 250 sx Lite "C" (YLD 2.0, WT.12.5). Tail in w/ 200 sx "C" + 2% CaCl₂ (YLD 1.33 WT 14.8).

Production Casing: TOC 2800'. Cement with 300 sx "C" Plus additives (YLD 1.69 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 – 900'	FW Gel/Paper/LCM	8.6-9.6	32-36	N/C
900' – 3370'	Cut Brine/Brine	9.0-10.2	28	N/C
3370' – TD	Salt Gel/Starch/Oil/LCM	9.0-9.8	34-45	<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 surface casing to TD.

Logging: Platform Express: CNL/LDT with NGT TD-to surface; GR/CNL to Surface; DLL/MSFL TD-surface casing; BHC Sonic TD-surface casing.

Coring: None Anticipated.

DST's: None Anticipated.

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

Anticipated BHP:

From: 0	TO: 900'	Anticipated Max.	BHP: 400	PSI
From: 900'	TO: TD	Anticipated Max.	BHP: 2400	PSI
From: 4100'	TO: 8200'	Anticipated Max.	BHP: 4100	PSI

No abnormal pressures or temperatures are anticipated.

Lost Circulation Zones Anticipated: None.

H₂S Zones Anticipated: None

Maximum Bottom Hole Temperature: 110 F

8. ANTICIPATED STARTING DATE:

Plans are to drill this well as soon as possible after receiving approval. It should take approximately 15 days to drill the well with completion taking another 15 days.

MULTI-POINT SURFACE USE AND OPERATIONS PLAN

Yates Petroleum Corporation

Shelly Federal #2

660' FSL & 1980' FEL

Section 23, T9S-R24E

Chaves 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 21 miles northeast of Roswell, New Mexico and the access route to the location is indicated in red and green on Exhibit A.

DIRECTIONS:

From the over pass in Roswell, go east on Highway 70 for 3 miles. Turn north on Capitan Road and go approximately 0.4 of a mile to a fork in the road with Capitan Road and two track road going north. Take the two track and go approximately 300' to start of the new road.

2. PLANNED ACCESS ROAD.

- A. The proposed new access will be approximately 300' in length from the point of origin to the southwest corner of the drilling pad. The road will lie in a southwest to northeast 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 both sides. Traffic turnouts will be built.
- D. The route of the roads in the area are 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 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 fresh 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 be responsible for finding any surfacing materials needed any will obtain any permits that may be 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: Amend the surface use plan to include the following, one 3" SDR Poly surface flowline and one (1) three phase 640 volt raptor proof powerline from this well to the Adeline ALN Federal Com. #1. See attached plat.

9. WELLSITE LAYOUT:

- A. Exhibit C shows the relative location and dimensions of the well pad, the reserve pits, and the access road approach.
- B. The reserve pits will be plastic lined.
- C. A 400' x 400' area has been staked and flagged.
- D. Pad will be rotated with the pits to the north.

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 the Bureau of Land Management, Roswell, 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

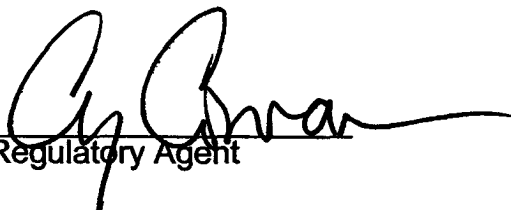
- B. Through Drilling Operations,
Completions and Production:

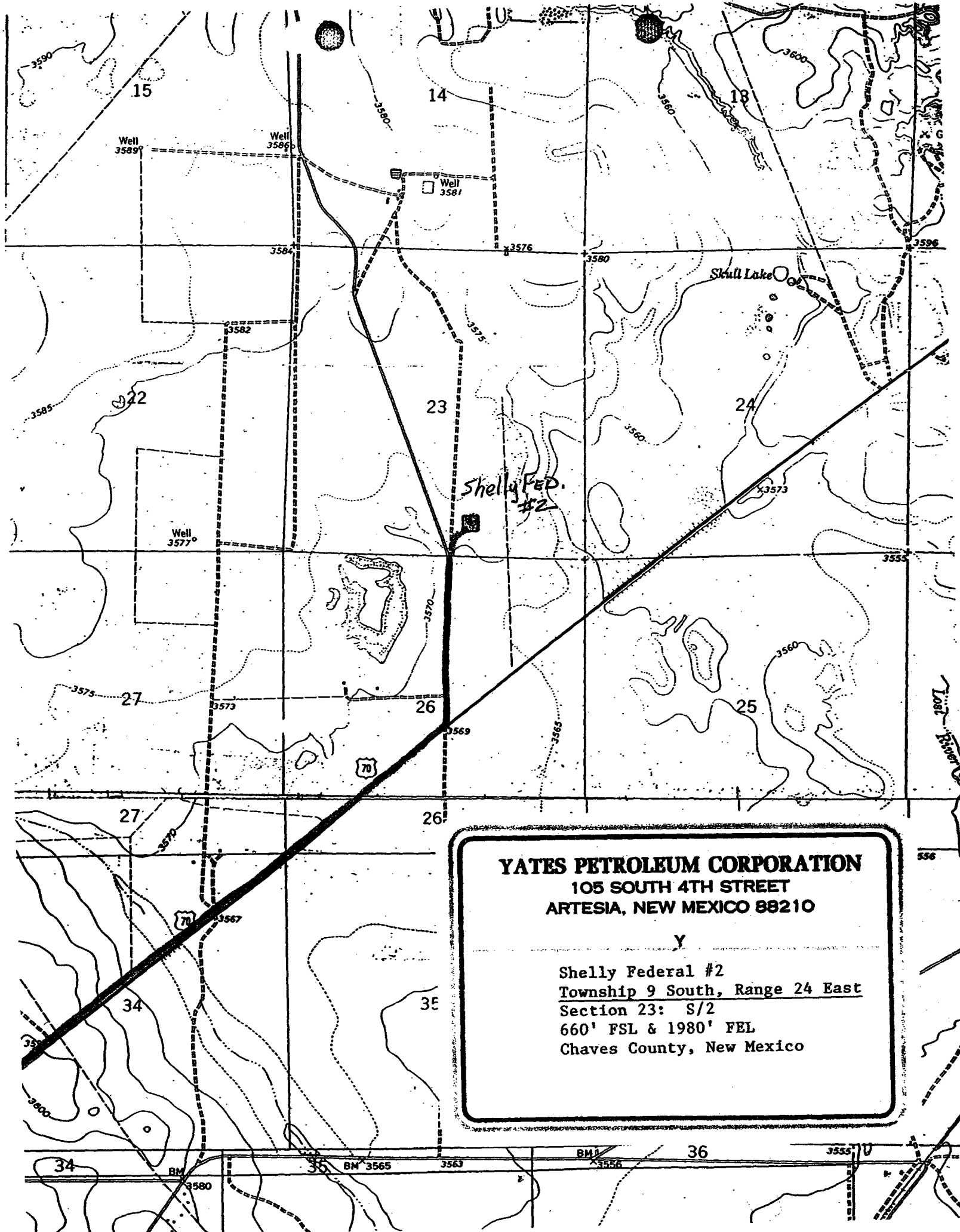
Brian Collins, Operations Manager
Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210
Phone (505) 748-1471

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.

10/22/2003


Regulatory Agent

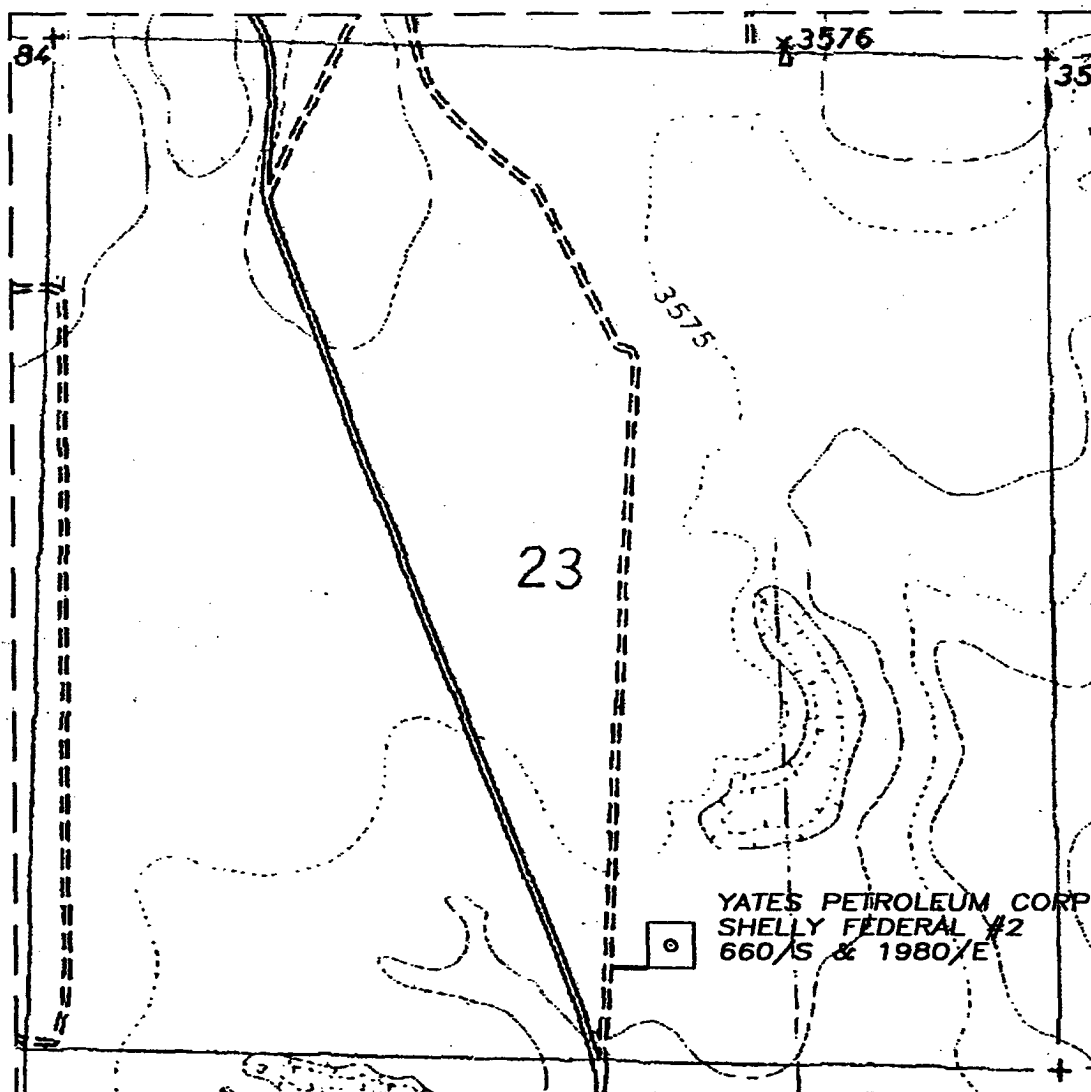


YATES PETROLEUM CORPORATION
105 SOUTH 4TH STREET
ARTESIA, NEW MEXICO 88210

Y

Shelly Federal #2
Township 9 South, Range 24 East
Section 23: S/2
660' FSL & 1980' FEL
Chaves County, New Mexico

YATES PETROLEUM CORPORATION SHELLY FEDERAL #2, 660/S & 1980/E
SECTION 23, TOWNSHIP 9 SOUTH, RANGE 24 EAST, NMPM, CHAVES COUNTY, NEW MEXICO.



50' 0 50' 100'
Scale 1" = 50'

THE PREPARATION OF THIS PLAT AND THE PERFORMANCE OF THE SURVEY UPON WHICH IT IS BASED WERE DONE UNDER MY DIRECTION AND THE PLAT ACCURATELY DEPICTS THE RESULTS OF SAID SURVEY AND MEET THE REQUIREMENTS OF THE STANDARDS FOR LAND SURVEYS IN NEW MEXICO AS ADOPTED BY THE NEW MEXICO STATE BOARD OF REGISTRATION FOR PROFESSIONAL ENGINEERS AND LAND SURVEYORS.

HENSCHKE L. JONES, L.S. No. 3640

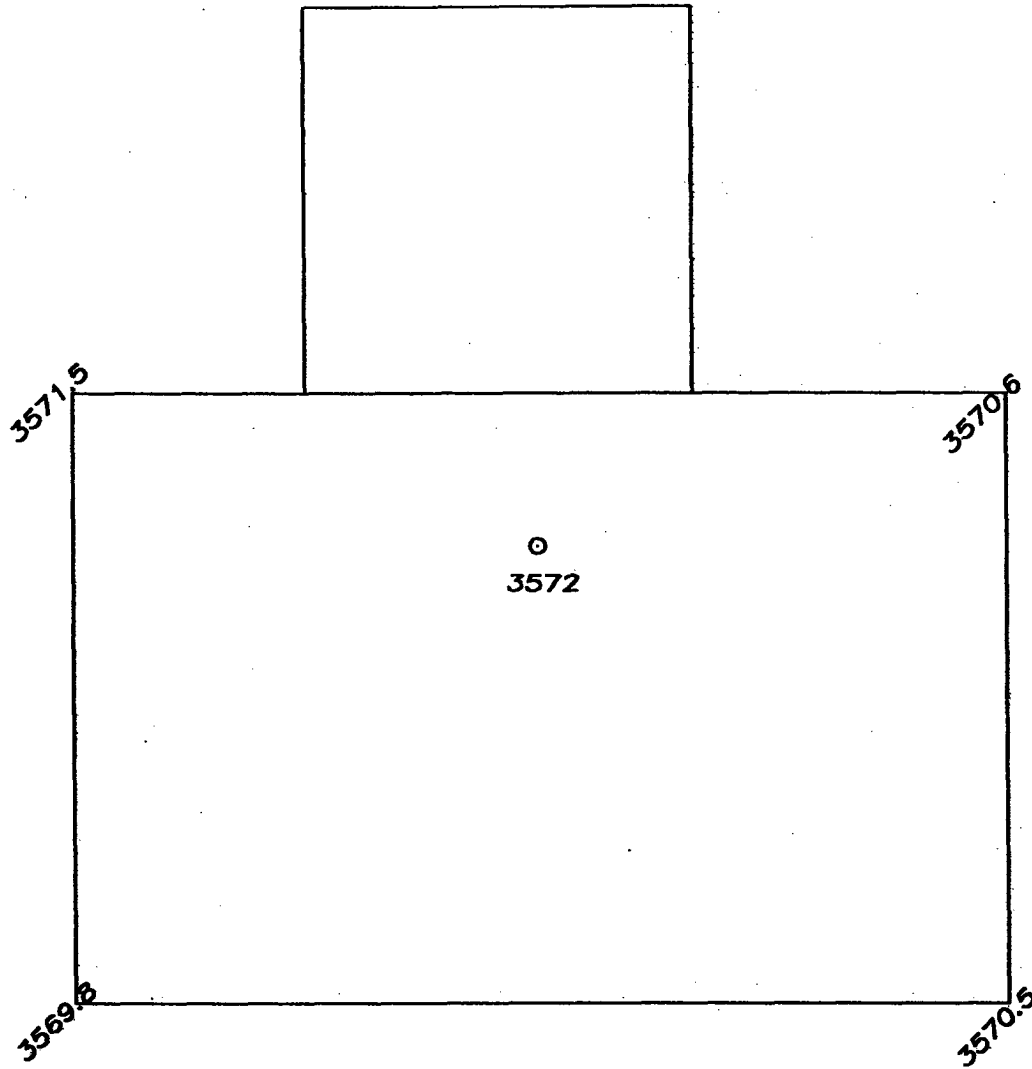
GENERAL SURVEYING COMPANY P.O. BOX 1928
LOVINGTON, NEW MEXICO 88260

YATES PETROLEUM CORP.

YATES SHELLY FEDERAL #2 LOCATED 660/S
AND 1980/E OF SECTION 23, TOWNSHIP 9
SOUTH, RANGE 24 EAST, NMPM, CHAVES
COUNTY, NEW MEXICO.

Survey Date: 5/30/2000	Sheet 1 of 1 Sheets
Drawn By: Ed Blavins	W.O. Number
Date: 5/30/00	Scale 1" = 50' SHELLY 2

YATES PETROLEUM CORPORATION SHELLY FEDERAL #2, 660/S & 1980/E
SECTION 23, TOWNSHIP 9 SOUTH, RANGE 24 EAST, NMPM, CHAVES COUNTY, NEW MEXICO.



THE PREPARATION OF THIS PLAN AND THE PERFORMANCE OF
THE SURVEY UPON WHICH IT IS BASED WERE DONE UNDER MY
DIRECTION AND THE PLAN ACCURATELY DEPICTS THE RESULTS
OF SAID SURVEY AND MEETS THE REQUIREMENTS OF THE
STANDARDS FOR LAND SURVEYS IN NEW MEXICO AS ADOPTED
BY THE NEW MEXICO STATE BOARD OF REGISTRATION FOR
PROFESSIONAL ENGINEERS AND LAND SURVEYORS.

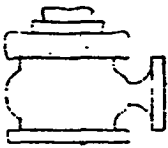
HERSCHEL L. JONES LAND R.S. No. 3640

GENERAL SURVEYING COMPANY P.O. BOX 1928
LOVINGTON, NEW MEXICO 88260

YATES PETROLEUM CORP.

WELL PAD PLAN VIEW ON THE YATES SHELLY
FEDERAL #2 LOCATED 660/S AND 1980/E OF
SECTION 23, TOWNSHIP 9 SOUTH, RANGE 24
EAST, NMPM, CHAVES COUNTY, NEW MEXICO.

Survey Date: 5/30/2000	Sheet 1 of 1 Sheets
Drawn By: Ed Blevins	W.O. Number
Date: 5/30/00	Scale 1" = 50' SHELLY 2

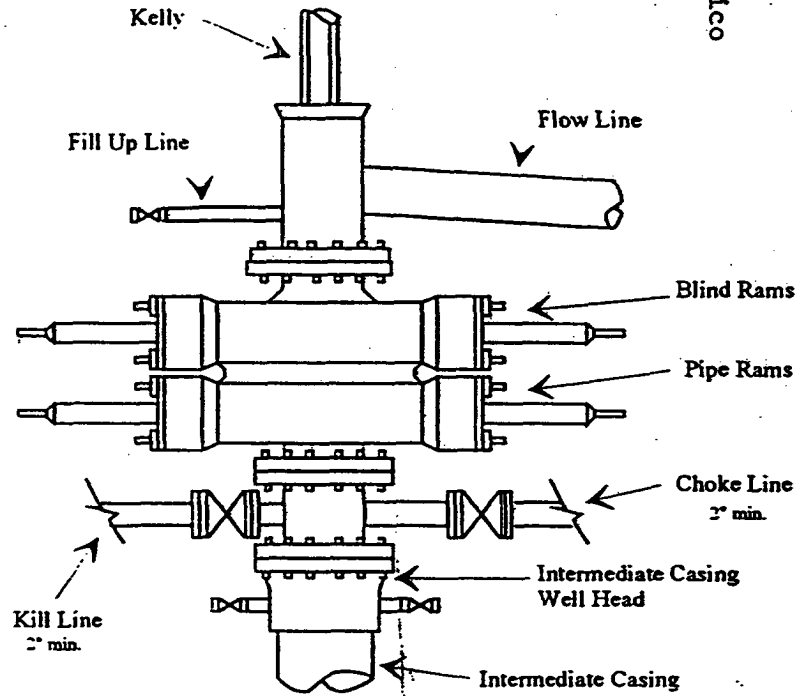


Yates Petroleum Corporation

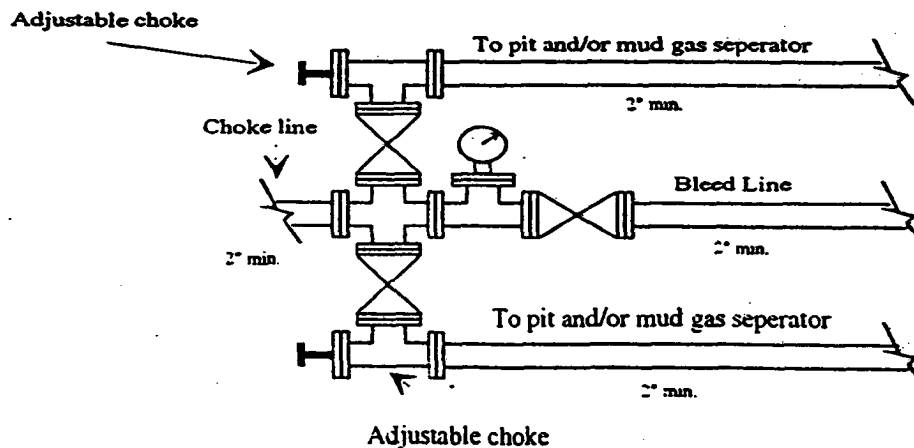
Typical 2,000 psi Pressure System
Schematic
Double Ram Preventer Stack

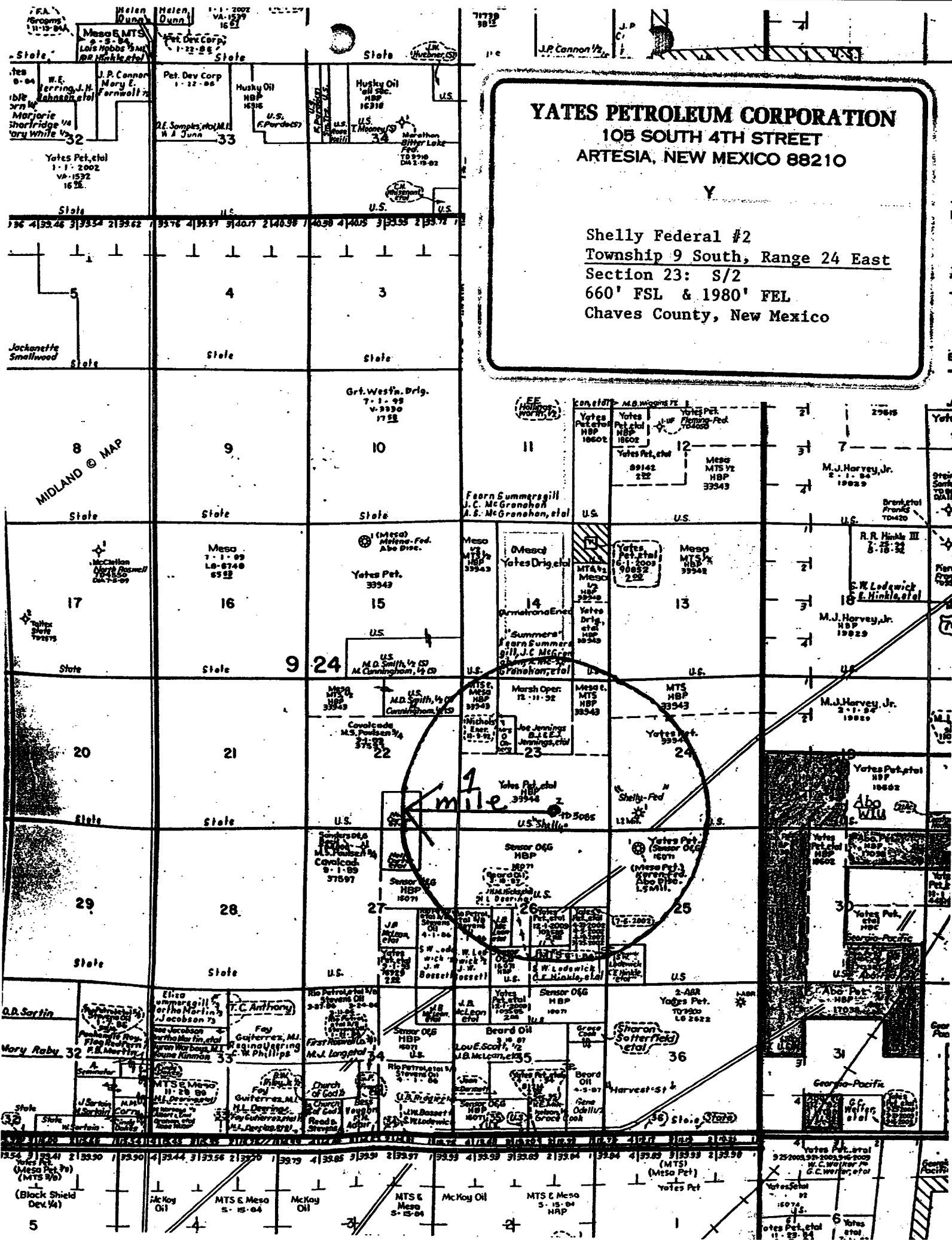
Shelly Federal #2
Township 9 South, Range 24 East
Section 23: S/2
660' FSL & 1980' FEL
Chaves County, New Mexico

YATES PETROLEUM CORPORATION
105 SOUTH 4TH STREET
ARTESIA, NEW MEXICO 88210



Typical 2,000 psi choke manifold assembly with at least these minimum features





YATES PETROLEUM CORPORATION

105 SOUTH 4TH STREET
ARTESIA, NEW MEXICO 88210

Y

Shelly Federal #2
Township 9 South, Range 24 East
Section 23: S/2
660' FSL & 1980' FEL
Chaves County, New Mexico