

LC 070832
N.M. Oil Cons. Div-Dist. 2
1301 W. Grand Avenue
Artesia, NM 88210

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

RECEIVED

FEB 04 2005

CCO-ARTESIA

OMB No. 1004-0136
Expires November 30, 2000

5. Lease Serial No.

NM-05110

6. If Indian, Allottee or Tribe Name

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

8. Lease Name and Well No.

Pecos River Deep Unit #12

9. API Well No.

30-015-33942

10. Field and Pool, or Exploratory

McMillan Morrow

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

Section 13, T20S-R26E

12. County or Parish

Eddy 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 DRILLING COMPANY

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

990' FNL and 1980' FWL

At proposed prod. Zone

66' Same

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

Approximately 22 miles southeast of Artesia, New Mexico.

15. Distance from proposed*
location to nearest
property or lease line, ft.
(Also to nearest drig. unit line, if any)

990'

16. No. of Acres in lease

80

17. Spacing Unit dedicated to this well

640

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

.6 of a mile.

19. Proposed Depth

10700'

20. BLM/BIA Bond No. on file

586000

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

3289' GL

22. Approximate date work will start*

ASAP

23. Estimated duration

45 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.

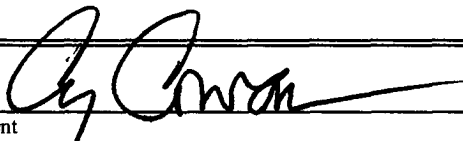
3. A Surface Use Plan (if the location is on National Forest System Lands, the
SUPO shall be filed with the appropriate Forest Service Office.

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

1/17/05

Regulatory Agent

Regulatory Agent

Approved by (Signature)

/s/ James Stovall

Name (Printed/Typed)

/s/ James Stovall

Date

FEB 03 2005

Title

FOR FIELD MANAGER

Office

CARLSBAD 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.

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)

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

Witness Surface Casing

Carlsbad Controlled Water Basin

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

OIL CONSERVATION DIVISION

P.O. Box 2088

Santa Fe, New Mexico 87504-2088

Instruction on back
Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

☐ AMENDED REPORT**WELL LOCATION AND ACREAGE DEDICATION PLAT**

API Number		Pool Code	Pool Name McMillan Morrow
Property Code	Property Name PECOS RIVER DEEP UNIT		Well Number 12
OGRID No. 025513	Operator Name YATES DRILLING COMPANY		Elevation 3289

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
C	13	20S	26E		660	NORTH	1980	WEST	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 640	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**

	OPERATOR CERTIFICATION I hereby certify the the information contained hereth is true and complete to the best of my knowledge and belief. Signature Cy Cowan Printed Name Regulatory Agent Title January 17, 2005 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. 11/30/2004 Date Surveyed Signature & Seal of Professional Surveyor Certificate No. Rachel L. Jones RLS 3640 PECOS RIVER DEEP UNIT 12 GENERAL SURVEYING COMPANY		

0 330' 660' 990' 1650' 1980' 2310' 2640' 2970' 3300' 0'

YATES DRILLING COMPANY
Pecos River Deep Unit #12
660' FNL and 1980' FWL
Section 13, T20-R26E
Eddy County, New Mexico

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

Yates Seven Rivers	Surface	Lower Strawn	9235'
Queen	567'	Atoka	9589'
Grayburg	864'	Morrow	9917'
San Andres	1467'	Morrow Clastics	9996'
Bone Spring Lime	2264'	Lower Morrow	10130'
Lower Bone Spring Sand	5216'	Barnett	10309'
3rd Bone Spring Lime	7214'	Chester	10621'
Wolfcamp	7680'	TD	10715'
Penn/Cisco Canyon	8290'		

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

Water: 47' - 190'
Oil or Gas: All potential zones

3. Pressure Control Equipment: BOPE will be installed on the 9 5/8" casing and rated for 5000 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>Thread</u>	<u>Interval</u>	<u>Length</u>	WITNESS
17 1/2"	13 3/8"	48#	H-40	ST&C	0-400'	400'	
12 1/4"	9 5/8"	36#	J-55	ST&C	0-2700'	2700'	
7 7/8	5 1/2"	17#	L-80	ST&C	0-1200'	1200'	
7 7/8	5 1/2"	17#	L-80	ST&C	1200'-2300'	1100'	
7 7/8	5 1/2"	15.5#	J-55	LT&C	2300'-6100'	3800'	
7 7/8	5 1/2"	17#	J-55	LT&C	6100'-9500'	3400'	
7 7/8	5 1/2"	17#	J-55	LT&C	9500'-10715'	1251'	

Yates Drilling Company requests a variance to install a rotating head on the surface casing strings when intermediate casing will be set. If a BOP system is required then we wish to install a 2M system and receive a variance to test the system to 1000# using the rig pumps. The test will be held for 30 minutes on each system component. Components to be tested include pipe rams, blind rams, and annular preventer.

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

Pecos River Deep Unit #12

Page 2

B. CEMENTING PROGRAM:

Surface casing: 500 sx Class 'C' + 2% CaCl₂ (YLD 1.63 WT 14.8).

Intermediate casing: Lead with 700 sx Lite (YLD 2.0 WT 12.5). Tail in w/200 sx Class C + 2% CaCl₂ (YLD 1.63 WT 14.8).

Production Casing: TOC 7250', Lead w/1100 sx Super 'C' (YLD 1.63 WT 13.0)

5. Mud Program and Auxiliary Equipment:

Interval	Type	Weight	Viscosity	Fluid Loss
Spud to 400'	FW Gel/Paper	8.4-8.8	32-40	N/C
400'-2700'	Fresh Water	8.4-8.6	28	N/C
2700'-9600'	Cut Brine	8.6-9.6	28	N/C
9600'-10715'	S Gel/KCL/Starch/Drispac	9.6-10.0	32-38	<12cc

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' out from under surface casing to TD. Two sets washed and dried.

Logging: Halliburton: CSNG/DSN/SDL, DLL/MGL, SSS/RSCT TD to surface casing; CSNG/GR Bottom of surface casing to surface; EMI TD to 9589'.

Coring: Possible sidewall cores (30).

DST's: As Warranted.

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

Anticipated BHP:

From: 0	TO 400'	Anticipated Max. BHP: 175	PSI
From: 400'	TO 2700'	Anticipated Max. BHP: 1200	PSI
From: 2700'	TO 10750'	Anticipated Max. BHP: 5600	PSI

Abnormal Pressures Anticipated: Possible Bone Spring (4750'-7680') and Wolfcamp (7680'-8300').

Lost Circulation Zones Anticipated: Possible Cisco-Canyon (8290'-8500').

H₂S Zones Anticipated: Possible Wolfcamp.

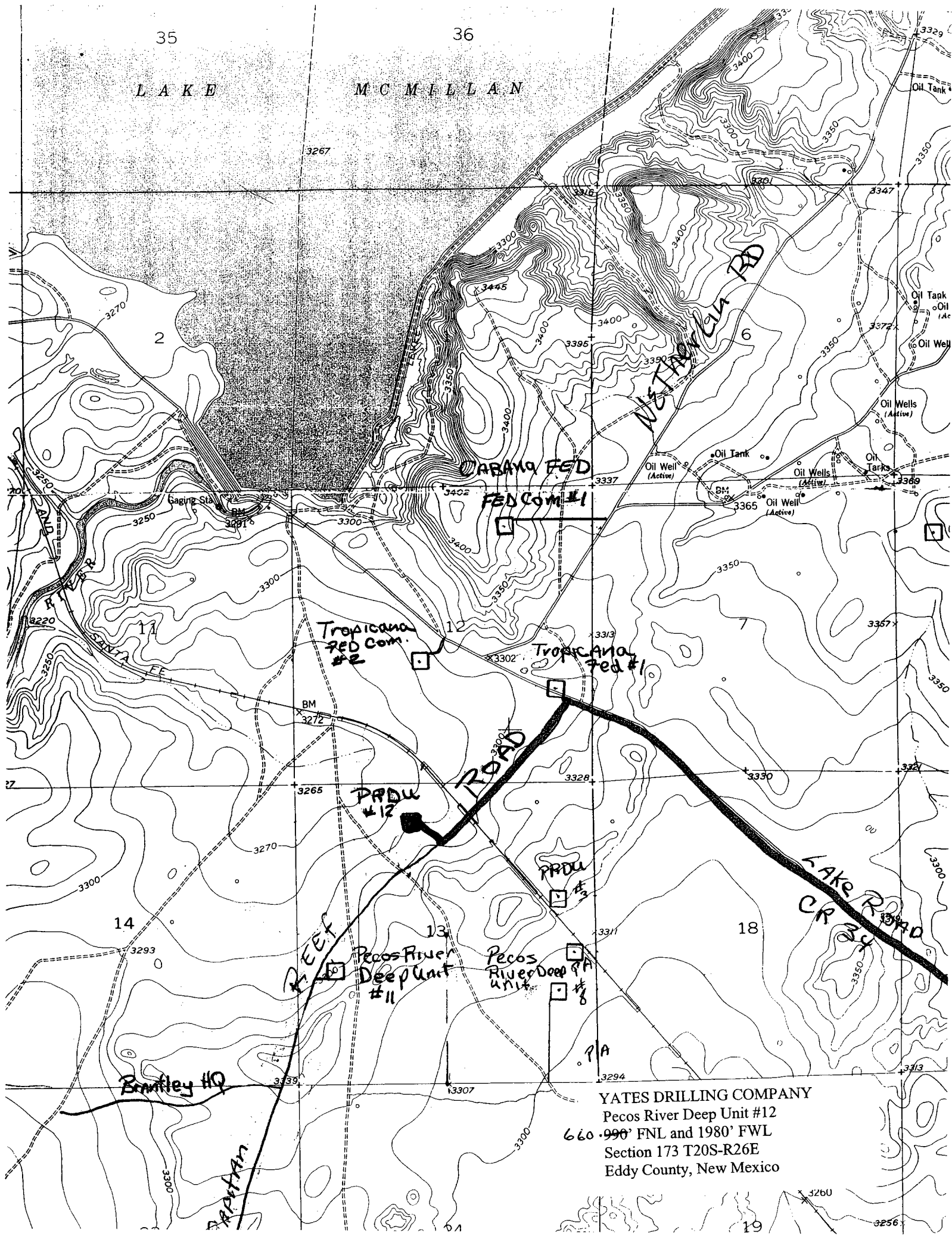
Maximum Bottom Hole Temperature: 189° F

8. ANTICIPATED STARTING DATE:

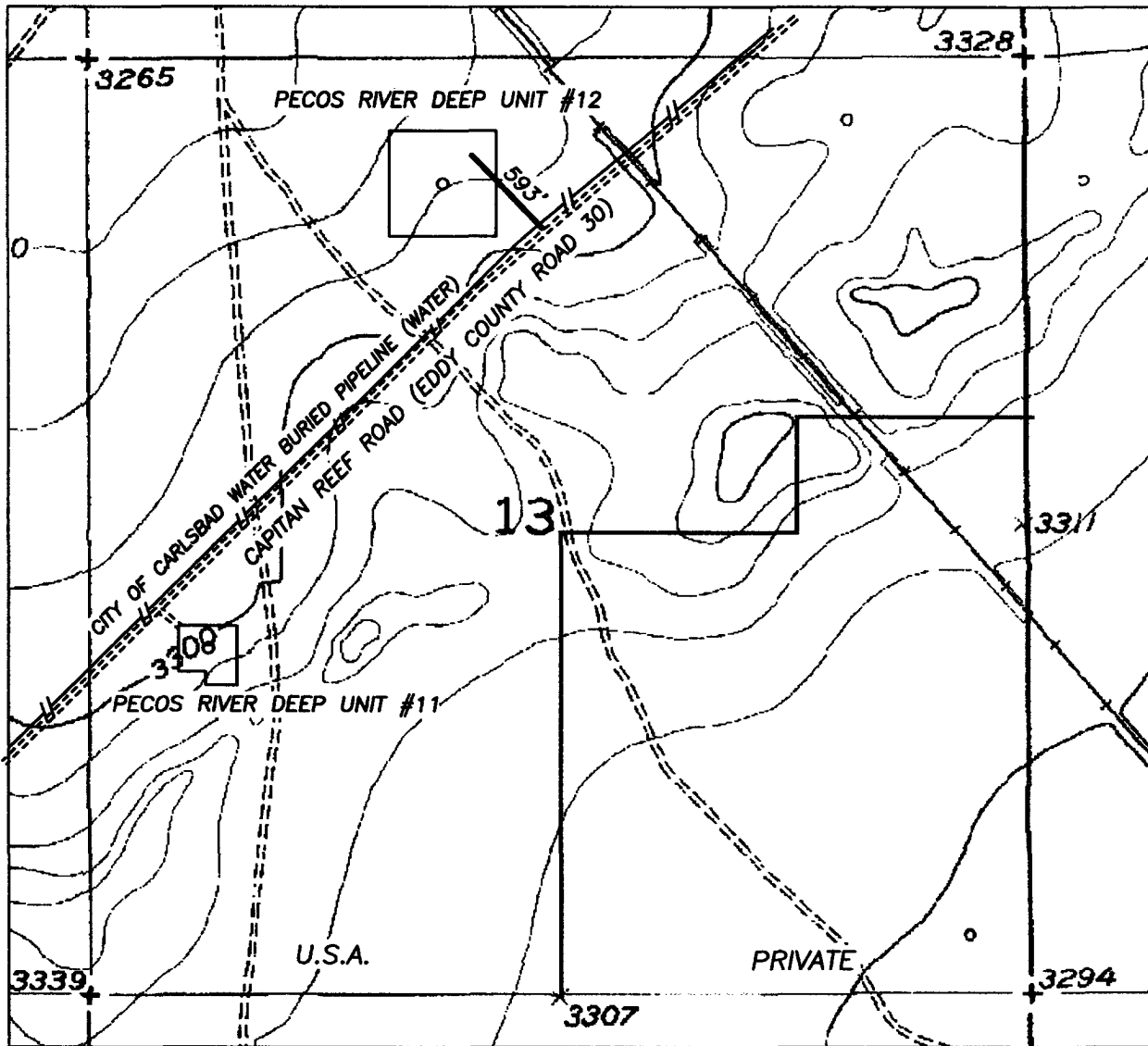
Plans are to drill this well as soon as possible after receiving approval. It should take approximately 30 days to drill the well with completion taking another 15 days.

LAKE

MCMILLAN

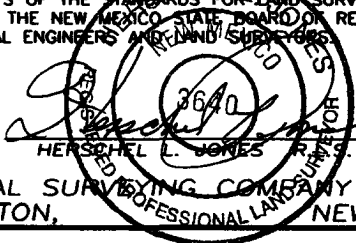


SECTION 13, TOWNSHIP 20 SOUTH, RANGE 26 EAST, NMPM, EDDY COUNTY, NEW MEXICO.



1000' 0 1000' 2000'
Scale 1" = 1000'

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.



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

YATES DRILLING COMPANY

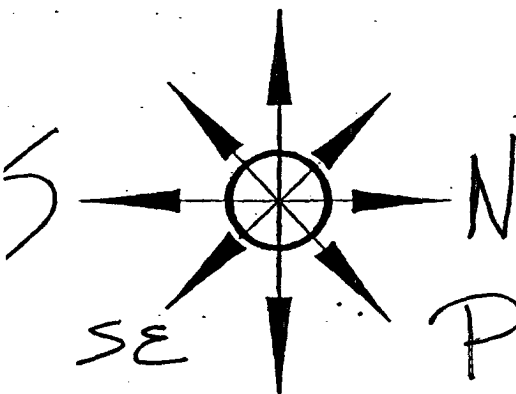
LEASE ROAD TO ACCESS THE YATES PECOS RIVER DEEP UNIT #12 WELL, LOCATED IN SECTION 13, TOWNSHIP 20 SOUTH, RANGE 26 EAST, NMPM, EDDY COUNTY, NEW MEXICO.

Survey Date: 11/29/2004	Sheet 1 of 1 Sheets
Drawn By: Ed Blevins	W.O. Number
Date: 11/29/04	Scale 1" = 1000' PECOSRV12

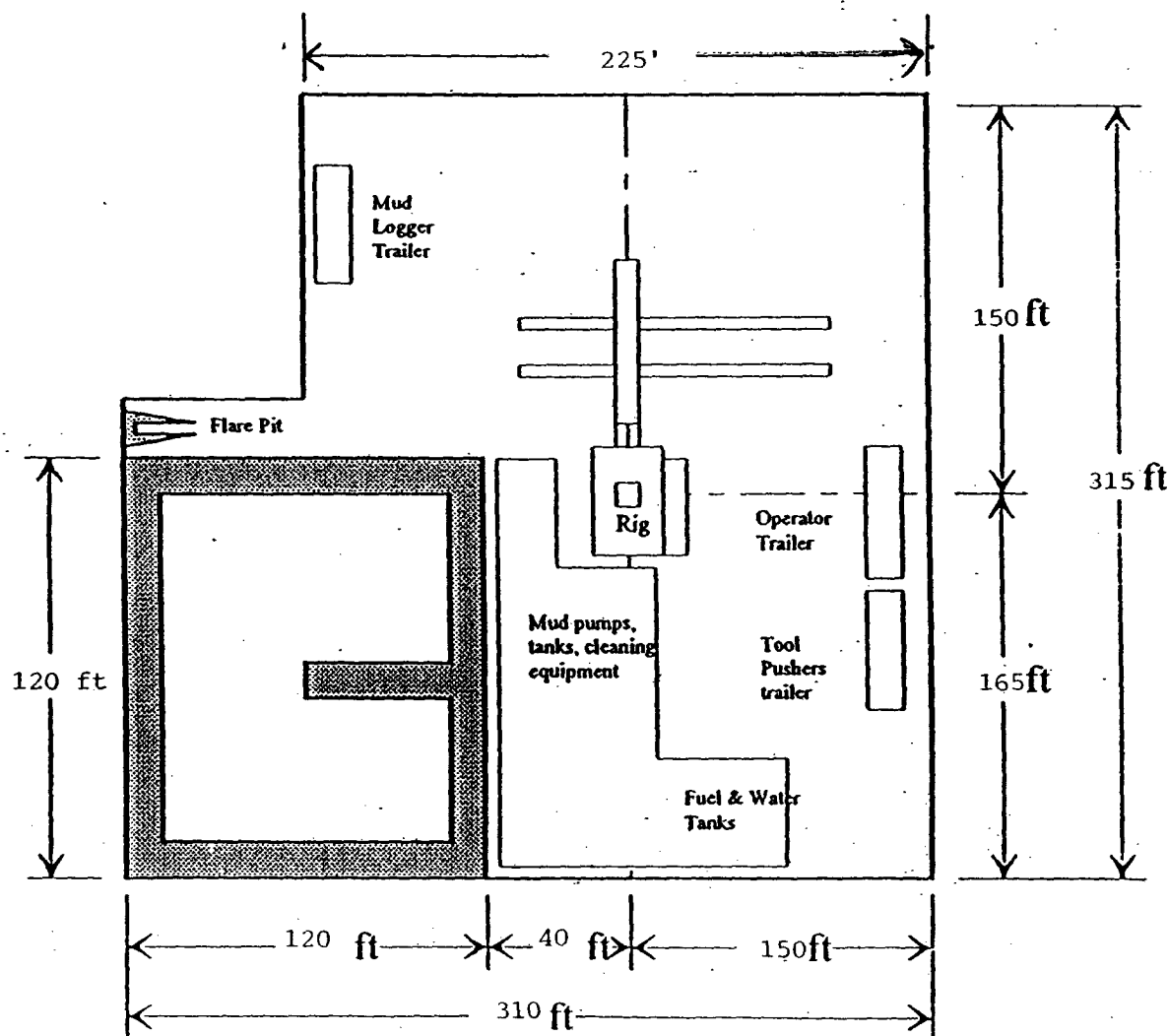
PB - L1

Yates Drilling Company
Location Layout for Permian Basin
Up to 12,000'

YATES DRILLING COMPANY
Pecos River Deep Unit #12
660' 990' FNL and 1980' FWL
Section 173 T20S-R26E
Eddy County, New Mexico



Pits South East



Distance from Well
Head to Reserve Pit
will vary between rigs

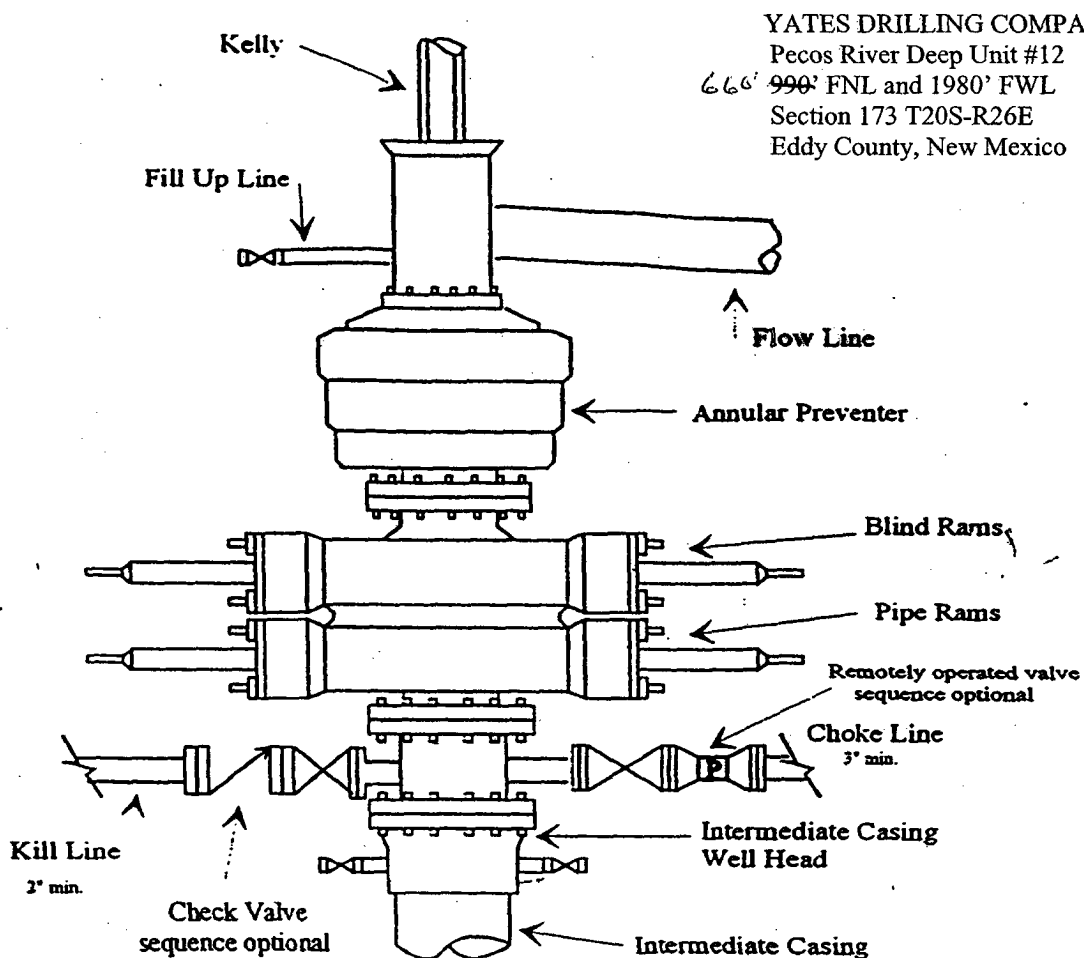
The above dimension
should be a maximum



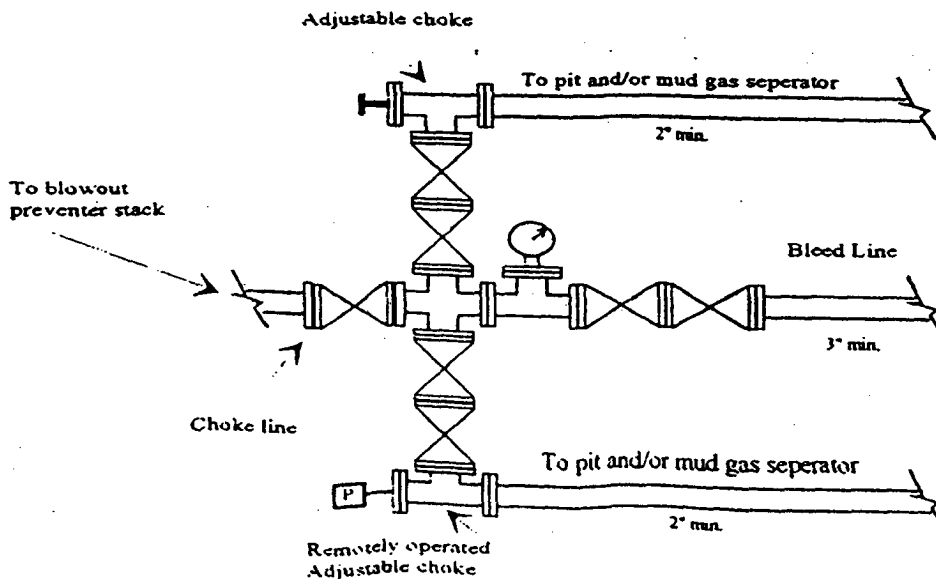
YATES DRILLING COMPANY

BOP-4

Typical 5,000 psi Pressure System Schematic Annular with Double Ram Preventer Stack



Typical 5,000 psi choke manifold assembly with at least these minimum features



Yates Drilling Company

**105 S. Fourth Street
Artesia, NM 88210**

Hydrogen Sulfide (H₂S) Contingency Plan

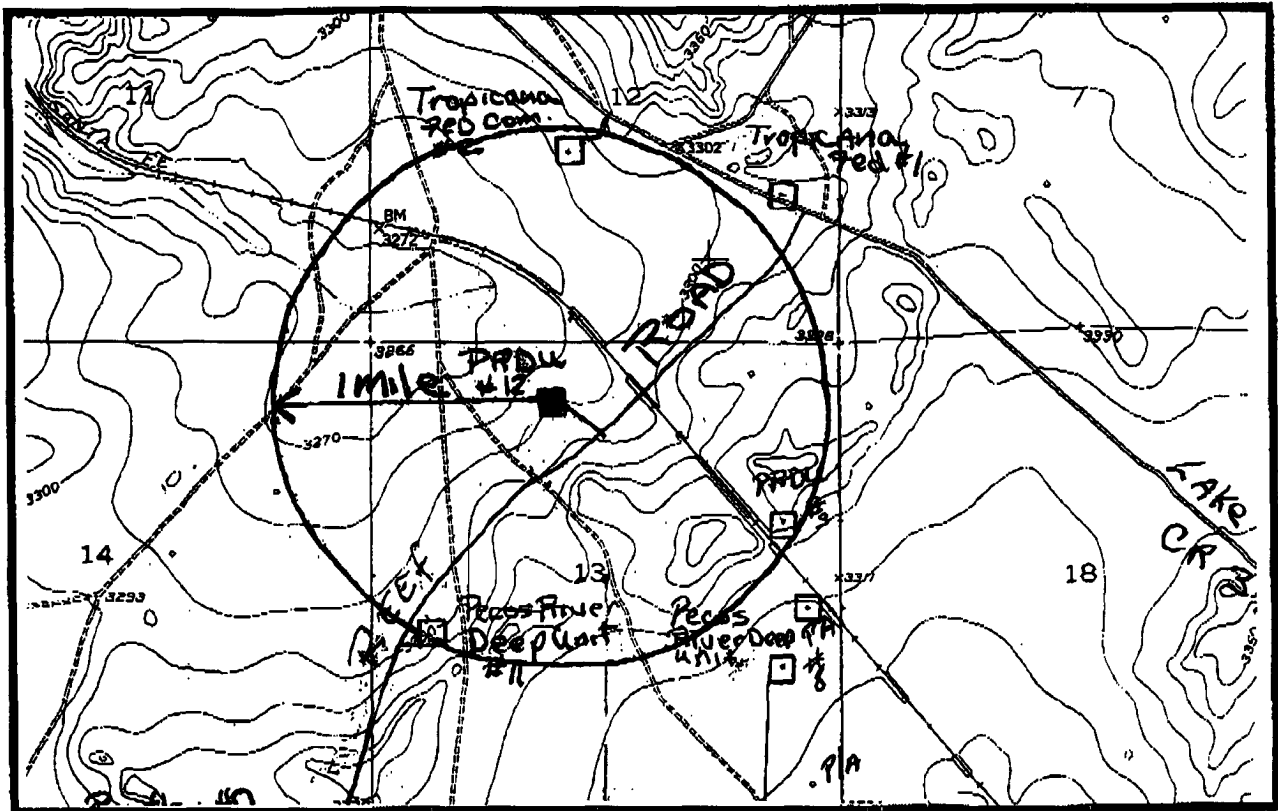
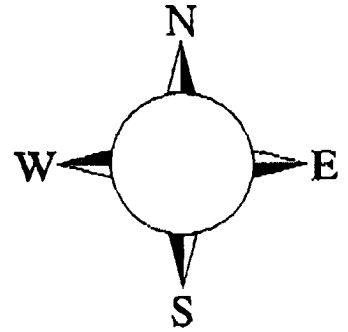
For

Pecos River Deep Unit #12

**990' FNL, 1980' FWL
Sec-13, T-20S, R-26E
Eddy County NM**

Pecos River Deep Unit #12 Location

This is an open drilling site. H₂S monitoring equipment and emergency response equipment will be used within 500' of zones known to contain H₂S, including warning signs, wind indicators and H₂S monitor.



Emergency Procedures

In the case of a release of gas containing H₂S, the first responder(s) must isolate the area and prevent entry by other persons into the 100 ppm ROE. Additionally the first responder(s) must evacuate any public places encompassed by the 100 ppm ROE. First responder(s) must take care not to injure themselves during this operation. Company and/or local officials must be contacted to aid in this operation. Evacuation of the public should be beyond the 100 ppm ROE.

All responders must have training in the detection of H₂S, measures for protection against the gas, equipment used for protection and emergency response. Additionally, responders must be equipped with H₂S monitors and air packs in order to control the release. Use the "buddy system" to ensure no injuries during the response.

Ignition of Gas Source

Should control of the well be considered lost and ignition considered, take care to protect against exposure to Sulfur Dioxide (SO₂). Intentional ignition must be coordinated with the NMOCD and local officials. Additionally the NM State Police may become involved. NM State Police shall be the Incident Command on scene of any major release. Take care to protect downwind whenever there is an ignition of the gas

Characteristics of H₂S and SO₂

Common Name	Chemical Formula	Specific Gravity	Threshold Limit	Hazardous Limit	Lethal Concentration
Hydrogen Sulfide	H ₂ S	1.189 Air = 1	10 ppm	100 ppm/hr	600 ppm
Sulfur Dioxide	SO ₂	2.21 Air = 1	2 ppm	N/A	1000 ppm

Contacting Authorities

YPC personnel must liaison with local and state agencies to ensure a proper response to a major release. Additionally, the OCD must be notified of the release as soon as possible but no later than 4 hours. Agencies will ask for information such as type and volume of release, wind direction, location of release, etc. Be prepared with all information available. The following call list of essential and potential responders has been prepared for use during a release. YPC Company response must be in coordination with the State of New Mexico's 'Hazardous Materials Emergency Response Plan' (HMER)

Yates Drilling Company Phone Numbers

YDC Office (505) 748-8460
 Toby Rhodes/Operations Manager (505) 748-8461
 Greg Boans/Production Manager (505) 365-5233
 Artesia Answering Service (505) 748-4302
 (During non-office hours)

Agency Call List**Eddy County (505)****Artesia**

State Police 746-2703
 City Police 746-2703
 Sheriff's Office 746-9888
 Ambulance 911
 Fire Department 746-2701
 LEPC (Local Emergency Planning Committee) 746-2122
 NMOCD 748-1283

Carlsbad

State Police 885-3137
 City Police 885-2111
 Sheriff's Office 887-7551
 Ambulance 911
 Fire Department 885-2111
 LEPC (Local Emergency Planning Committee) 887-3798
 US Bureau of Land Management 887-6544

New Mexico Emergency Response Commission (Santa Fe) (505) 476-9600
 24 HR (505) 827-9126
 New Mexico State Emergency Operations Center (505) 476-9635
 National Emergency Response Center (Washington, DC) ... (800) 424-8802

Other

Boots & Coots IWC 1-800-256-9688 or (281) 931-8884
 Cudd Pressure Control (915) 699-0139 or (915) 563-3356
 Halliburton (505) 746-2757
 B. J. Services (505) 746-3569

Flight For Life -4000 24th St, Lubbock, TX (806) 743-9911
 Aerocare -Rr 3 Box 49f, Lubbock, TX (806) 747-8923
 Med Flight Air Amb 2301 Yale Blvd SE #D3, Albuq, NM (505) 842-4433
 S B Air Med Svc 2505 Clark Carr Loop SE, Albuq, NM (505) 842-4949