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North
Pits west

D-05-12

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UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

N.M. Oil Cons. Div. Unit 2
1301 W. Grand Avenue
Artesia, NM 88210

RECEIVED

FEB 03 2005

004-ARTESIA

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

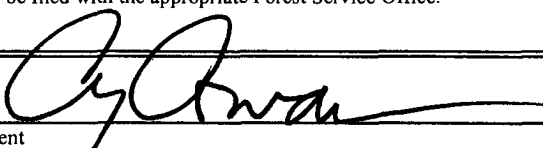
APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of Work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. LC-045818-B
b. Type of Well: <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other <input type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		6. If Indian, Allottee or Tribe Name
2. Name of Operator Yates Drilling Company		7. If Unit or CA Agreement, Name and No.
3A. Address 105 South Fourth Street Artesia, New Mexico 88210	3b. Phone No. (include area code) (505) 748-1471	8. Lease Name and Well No. Burro 17 Federal #2
4. Location of Well (Report location clearly and in accordance with any State requirements. *) At surface 2150' FNL and 330' FEL At proposed prod. Zone Same		9. API Well No. 30-015-33926
14. Distance in miles and direction from nearest town or post office* Approximately 12 miles northeast of Artesia, New Mexico.		10. Field and Pool, or Exploratory Undes. Red Lake Shores Glorietta Yeso
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 330'	16. No. of Acres in lease 40	11. Sec., T., R., M., or Blk. and Survey or Area Section 17, T17S-R28E
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 660'	19. Proposed Depth 4000'	12. County or Parish Eddy County
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3568'	22. Approximate date work will start* ASAP	13. State NM
17. Spacing Unit dedicated to this well SE/NE		
20. BLM/BIA Bond No. on file 586000		
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. | 4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above). |
| 2. A Drilling Plan. | 5. Operator certification. |
| 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). | 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 1/11/05
Regulatory Agent		
Approved by (Signature) /s/ James Stovall		
Name (Printed/Typed) /s/ James Stovall		
Date FEB 02 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

Known Controlled Water Basin

District I
1825 N. French Dr. Hobbs, NM 88240

District II
811 South First, Artesia, NM 88210

District III
1000 Rio Brazos Rd., Aztec NM 87410

District IV
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources
OIL CONSERVATION DIVISION
2040 South Pacheco
Santa Fe, N M 87505

Form C-102
Revised March 17, 1999
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
		Undes. Red Lake Shores Glorietta Yeso
Property Code	Property Name	Well Number
	YDC BURRO "17" FEDERAL	2
OGRID No.	Operation Name	Elevation
025513	YATES DRILLING COMPANY	3568

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	17	17-S	28-E		2150	NORTH	330	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 INTEREST HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

	<p>OPERATOR CERTIFICATION I HEREBY CERTIFY THAT THE INFORMATION HEREIN IS TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF.</p>	
	<p>Signature </p>	
	<p>Printed Name Cy Cowan</p>	
	<p>Title Regulatory Agent</p>	
	<p>Date January 11, 2005</p>	
<p>LC-045818 -B</p> <p>LAT N 32° 0' 08.1" LON W 104° 11' 26.1"</p>	<p>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 KNOWLEDGE AND BELIEF.</p>	
	<p>NOVEMBER 27, 2004</p>	
	<p>Date of Survey</p>	
	<p>Signature and Seal of Professional Surveyor</p>	

YATES DRILLING COMPANY
Burro 17 Federal #2
2150' FNL and 330' FEL
Section 17-T17S-R28E
Eddy County, State New Mexico

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

Yates	379'	San Andres	1953'
Seven Rivers	617'	Glorietta	3329'
Queen	1162'	Yeso	3576'
Grayburg	1603'	TD	4000'

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

Water: 53'
Oil or Gas: All potential zones

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>Thread</u>	<u>Interval</u>	<u>Length</u>	<u>WITNESS</u>
14 3/4"	11 3/4"	42#	H-40	ST&C	400'	400'	
**11"	8 5/8"	24#	J-55	ST&C	2000'	2000'	
7 7/8"	5 1/2"	15.5#	J-55	LT&C	4000'	4000'	

**8 5/8" casing will only be set if hole conditions dictate. If 8 5/8" casing not set will reduce hole size to 7 7/8" at 2000'.

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

B. CEMENTING PROGRAM:

Surface Casing: 300 sx C + 2% CACL2 (Yld 1.32 wt 14.6).

Intermediate Casing: 525 sx Lite (YLD 1.95 WT 12.5) Tail in w/200 sx C
+ 2% CaCl2 (YLD 1.34 WT 14.8).

Production Casing: TOC 1500' 550 sx Super C Modified (YLD 1.64 WT 13.2).

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.

5. MUD PROGRAM AND AUXILLIARY EQUIPMENT:

<u>Interval</u>	<u>Type</u>	<u>Weight</u>	<u>Viscosity</u>	<u>Fluid Loss</u>
Spud to 400'	FW/Gel Paper	8.6-9.7	28-30	N/C
400'-2000'	Brine	10.0-10.5	28	N/C
2000'-TD	Cut Brine	8.6-8.9	28-33	<15cc

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: CSNG/DSN/SDL TD to surf casg; DLL-MGL TD to surf csg; SSS-RSCT
 (Sonic) TD to surf casg; CSNG/GR Base of surf casg to surface.
 Coring: Sidewall Cores 30 cores.
 DST's: As warranted.

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

From: 0	TO: 400'	Anticipated Max. BHP:	200	PSI
From: 400'	TO: 2000'	Anticipated Max. BHP:	1100	PSI
From: 2000'	TO: 4000'	Anticipated Max. BHP:	1851	PSI

Abnormal Pressures Anticipated: None

Lost Circulation Zones Anticipated: None

H2S Zones Anticipated: None

Maximum Bottom Hole Temperature: 135° F

8. ANTICIPATED STARTING DATE:

Plans are to drill this well as soon as possible after receiving approval. It should take approximately 25 days to drill the well with completion taking another 15 days.

**MULTI-POINT SURFACE USE AND OPERATIONS PLAN
YATES DRILLING COMPANY**

Burro 17 Federal #2
2150' FNL and 330' FEL
Section 17-T17S-R28E
Eddy County, State 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 12 miles northeast of Artesia, New Mexico and the access route to the location is indicated in red and green on Exhibit A.

DIRECTIONS:

Go east of Artesia, New Mexico on Highway 82 for approximately 11.3 miles to a cattleguard on the left side of the highway. Turn left here and follow lease road for approx. 2.4 miles. The road turns right here. Turn right and go approx. .1 of a mile to a fork in the road. Take the left fork on a two track road and go approx. .1 of a mile. The new road will start here going east to the southwest corner of the well location.

2. PLANNED ACCESS ROAD:

- A. The proposed new access will be approximately 300 feet in length from the point of origin to the southwest corner of the drilling pad. The road will lie in a(n) west to east 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 one side. Some traffic turnouts may be build.
- D. The route of the road is 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 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 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 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 acquire any permits and materials from the closest source at the time of construction of the well pad.

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: None

9. WELLSITE LAYOUT:

- A. Exhibit C shows the relative location and dimensions of the well pad, the reserve pits, the location of the drilling equipment, rig orientation and access road approach.
- B. The reserve pits will be plastic lined. The reserve pits will be plastic lined. Yates Drilling Company is in full compliance with the OCD General Plan for Drilling Pits approved on April 15, 2004.
- C. A 600' x 600' area has been staked and flagged.

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 within 90 days after abandonment.

11. SURFACE OWNERSHIP: Bureau of Land Management, Carlsbad, 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.

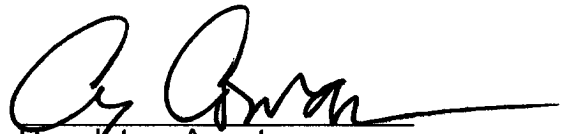
13. OPERATOR'S REPRESENTATIVE

- | | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>A. Through A.P.D. Approval:</p> <p>Cy Cowan, Regulatory Agent
Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210
Phone (505) 748-1471</p> | <p>B. Through Drilling Operations,
Completions and Production:</p> <p>Toby Rhodes, Operations Manager
Yates Drilling Company
105 South Fourth Street
Artesia, New Mexico 88210
Phone (505) 748-1471</p> |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

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 Drilling Company 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.

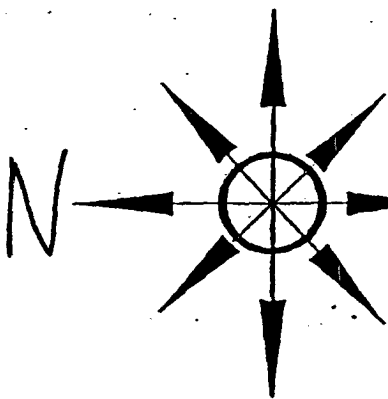
1/11/05


Regulatory Agent

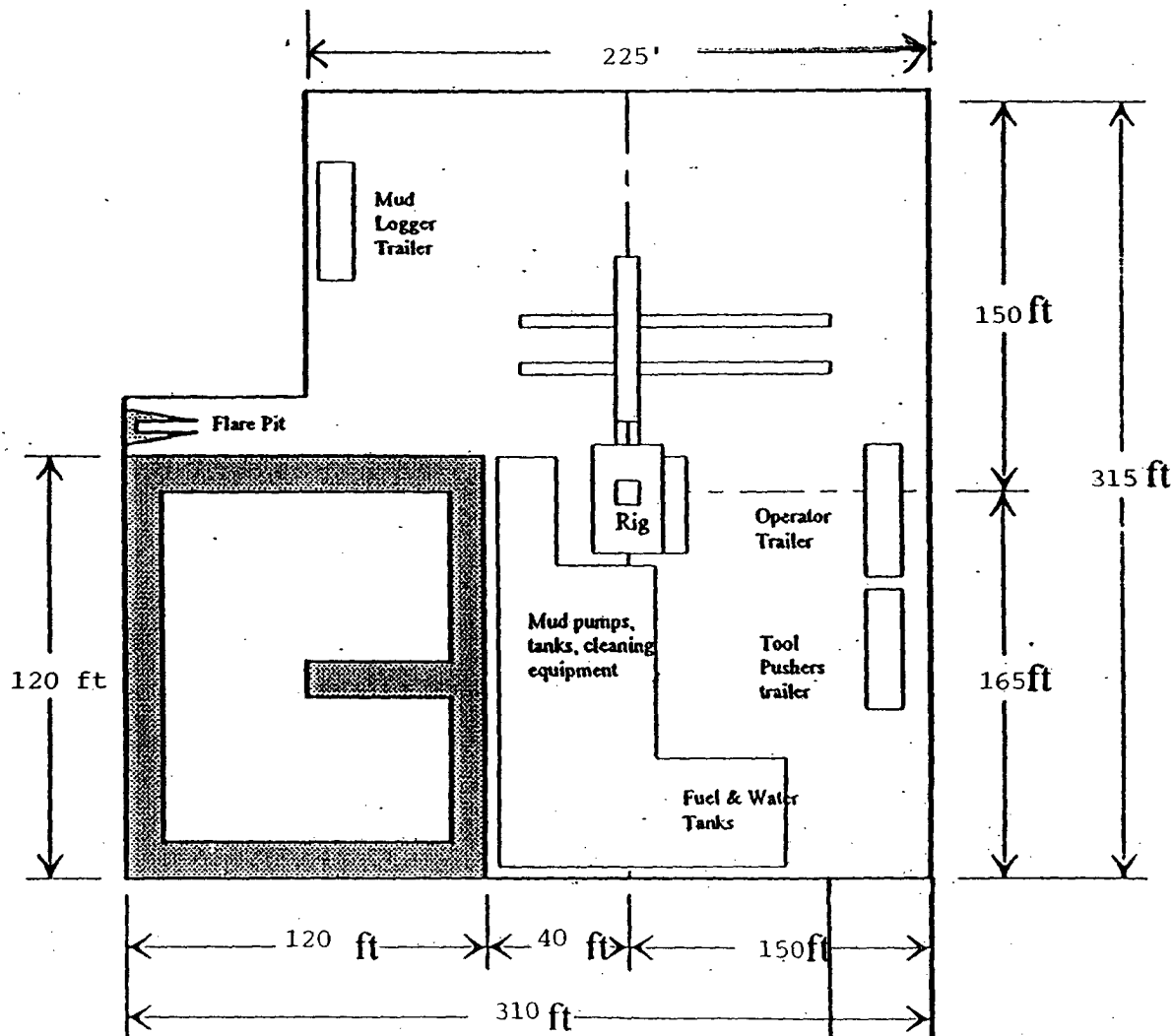
YATES DRILLING COMPANY
Burro 17 Federal #2
2150' FNL and 330' FEL
Section 17, T17S-R28E
Eddy County, New Mexico
LC-045818-B

Yates Drilling Company

Location Layout for Permian Basin
Up to 12,000'



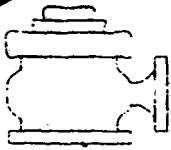
Pits North



Distance from Well
Head to Reserve Pit
will vary between rigs

The above dimension
should be a maximum

ROAD



YATES DRILLING COMPANY

Typical 2,000 psi Pressure System

Schematic

Double Ram Preventer Stack

YATES DRILLING COMPANY

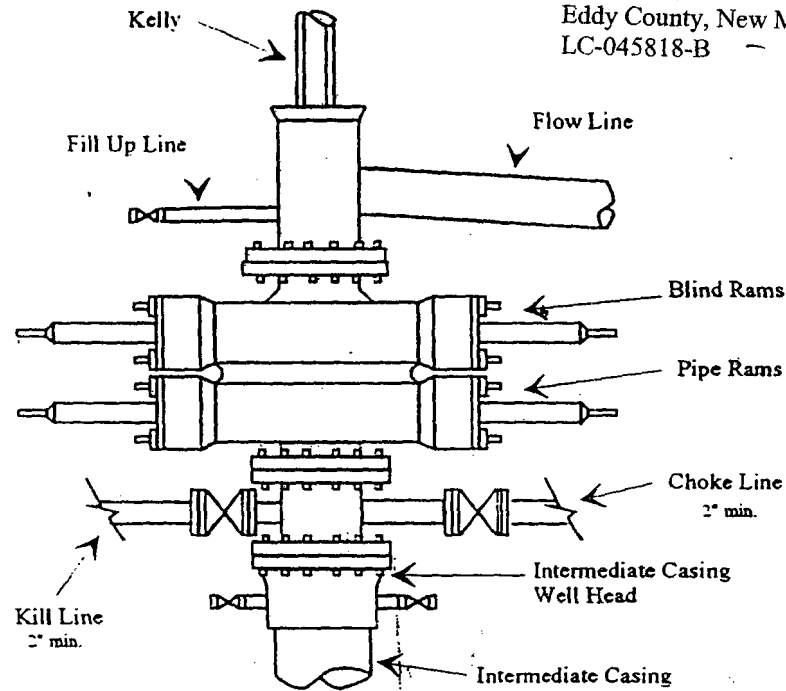
Burro 17 Federal #2

2150' FNL and 330' FEL

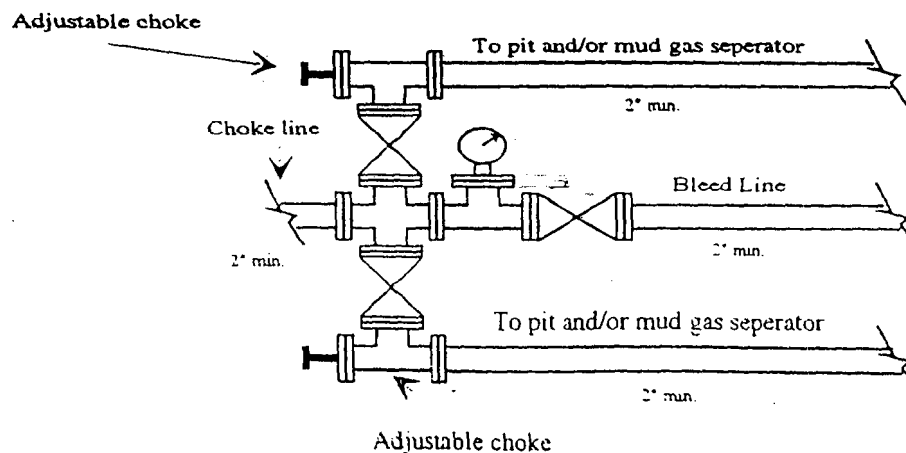
Section 17, T17S-R28E

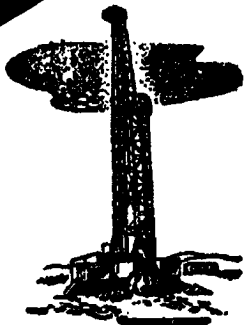
Eddy County, New Mexico

LC-045818-B



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





YATES DRILLING COMPANY

105 SOUTH FOURTH STREET • ARTESIA, NEW MEXICO 88210

(505) 748-8440 • FAX (505) 748-8470

EMAIL: ydc1@qwest.net

PEYTON YATES
PRESIDENT

S. P. YATES
VICE PRESIDENT

RANDY G. PATTERSON
SECRETARY

DENNIS G. KINSEY
TREASURER

STATEMENT ACCEPTING RESPONSIBILITY FOR OPERATIONS

The undersigned accepts all applicable terms, conditions, stipulations, and restrictions concerning operations conducted on the leased land or portion thereof, as described below:

Worksite: Burro 17 Federal #2

Lease No.: LC-045818-B

Bond Coverage: Individually Bonded

Legal Description of Land:

BLM Bond File No.: NM 586000

Section 17, T17S-R28E

Eddy County, New Mexico

Formation (s) – (if applicable):

YATES DRILLING COMPANY

Date: January 20, 2005


Cy Cowan, Regulatory Agent