

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

APR 05 2005

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OMB No. 1004-0136  
Expires November 30, 2000

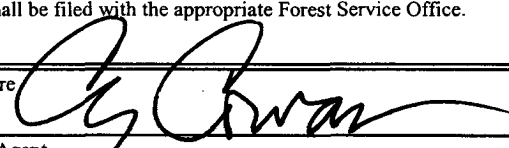
APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of Work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		7. If Unit or CA Agreement, Name and No.	
b. Type of Well: <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other <input type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		8. Lease Name and Well No. <b>Kiawah BFQ Federal #1</b>	
2. Name of Operator <b>Yates Petroleum Corporation</b>		9. API Well No. <b>30-015-34059</b>	
3A. Address <b>105 South Fourth Street Artesia, New Mexico 88210</b>	3b. Phone No. (include area code) <b>(505) 748-1471</b>	10. Field and Pool, or Exploratory <b>Cemetery; Morrow</b>	
4. Location of Well (Report location clearly and in accordance with any State requirements. *) At surface <b>1830' FSL and 660' FWL</b> At proposed prod. Zone <b>Same</b>		11. Sec., T., R., M., or Bk. and Survey or Area <b>Section 34, T20S-R25E</b>	
14. Distance in miles and direction from nearest town or post office* <b>Approximately 16 miles northwest of Carlsbad, New Mexico.</b>		12. County or Parish <b>Eddy County</b>	13. State <b>NM</b>
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) <b>660'</b>	16. No. of Acres in lease <b>320</b>	17. Spacing Unit dedicated to this well <b>S/2</b>	
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. <b>.6 of mile</b>	19. Proposed Depth <b>10100'</b>	20. BLM/BIA Bond No. on file <b>585997</b>	
21. Elevations (Show whether DF, KDB, RT, GL, etc.) <b>3711' GL</b>	22. Approximate date work will start* <b>ASAP</b>	23. Estimated duration <b>45 days</b>	

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. <b>Carlsbad Controlled Water Basin</b>                                 |
| 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) <b>Cy Cowan</b>	Date <b>2/10/05</b>
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Regulatory Agent  
**Regulatory Agent**

Approved by (Signature) <b>/s/ Tony J. Herrell</b>	Name (Printed/Typed) <b>/s/ Tony J. Herrell</b>	Date <b>APR 04 2005</b>
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Title <b>FIELD MANAGER</b>	Office <b>CARLSBAD FIELD OFFICE</b>
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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)

Witness Surface &  
Intermediate Casing

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

Dr., Hobbs, NM 88240  
 and Avenue, Artesia, NM 88210  
 Brazos Road, Aztec, NM 87410  
 IV  
 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico  
 Energy Minerals and Natural Resources

Form C-144  
 March 12, 2004

Oil Conservation Division  
 1220 South St. Francis Dr.  
 Santa Fe, NM 87505

For drilling and production facilities, submit to appropriate NMOCD District Office.  
 For downstream facilities, submit to Santa Fe office

**Pit or Below-Grade Tank Registration or Closure**

Is pit or below-grade tank covered by a "general plan"? Yes X No

Type of action: Registration of a pit or below-grade tank X Closure of a pit or below-grade tank

Operator: YATES PETROLEUM CORPORATION Telephone: (505) 748-1471 e-mail address: \_\_\_\_\_

Address: 105 South Fourth Street, Artesia, NM 88210

Facility or well name: Kiawah BFO Federal #1 API # 30-015-34059 U/L or Qtr/Qtr MO Sec. 34 T 20S R 25E

County: Eddy Latitude N.32 31'39.6" Longitude E.104 28'44.4" NAD: 1927 X 1983  Surface Owner Federal X State  Private  Indian

<u>Pit</u>	<u>Below-grade tank</u>	
Type: Drilling X Production <input type="checkbox"/> Disposal <input type="checkbox"/> Workover <input type="checkbox"/> Emergency <input type="checkbox"/> Lined X Unlined <input type="checkbox"/> Liner type: Synthetic X Thickness <u>12 mil</u> Clay <input type="checkbox"/> Volume <u>20,000 bbl</u>	Volume: _____ bbl Type of fluid: _____ Construction material: _____ Double-walled, with leak detection? Yes <input type="checkbox"/> If not, explain why not.	
Depth to ground water (vertical distance from bottom of pit to seasonal high water elevation of ground water.)	<u>Less than 50 feet</u>	(20 points)
	50 feet or more, but less than 100 feet	(10 points)
	100 feet or more	( 0 points) 0
Wellhead protection area: (Less than 200 feet from a private domestic water source, or less than 1000 feet from all other water sources.)	Yes	(20 points)
	No	( 0 points) 0
Distance to surface water: (horizontal distance to all wetlands, playas, irrigation canals, ditches, and perennial and ephemeral watercourses.)	Less than 200 feet	(20 points)
	200 feet or more, but less than 1000 feet	(10 points)
	<u>1000 feet or more</u>	( 0 points) 0
<b>Ranking Score (Total Points)</b>		0


**If this is a pit closure:** (1) attach a diagram of the facility showing the pit's relationship to other equipment and tanks. (2) Indicate disposal location: onsite  offsite  If offsite, name of facility \_\_\_\_\_. (3) Attach a general description of remedial action taken including remediation start date and end date. (4) Groundwater encountered: No  Yes  If yes, show depth below ground surface \_\_\_\_\_ ft. and attach sample results. (5) Attach soil sample results and a diagram of sample locations and excavations.

I hereby certify that the information above is true and complete to the best of my knowledge and belief. I further certify that the above-described pit or below-grade tank has been/will be constructed or closed according to NMOCD guidelines , a general permit X or an (attached) alternative OCD-approved plan .

Date: 2/10/05

Printed Name/Title Cy Cowan, Regulatory Agent Signature 

Your certification and NMOCD approval of this application/closure does not relieve the operator of liability should the contents of the pit or tank contaminate ground water or otherwise endanger public health or the environment. Nor does it relieve the operator of its responsibility for compliance with any other federal, state, or local laws and/or regulations.

Approval:   
 Date: APR 11 2005  
 Printed Name/Title \_\_\_\_\_

Signature 

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 Seven Rivers Hills Morrow
Property Code	Property Name KIAWAH "BFQ" FEDERAL	Well Number 1
OGRID No. 025575	Operator Name YATES PETROLEUM CORPORATION	Elevation 3711

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
L	34	20S	25E		1830	SOUTH	660	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	Joint or Infill	Consolidation Code	Order No.
320			

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>N.32°31'39.6" W.104°28'44.4" N.555669.1 E.455267.9 (NAD-27)</p>	<p>NM-108456</p>	<p><b>OPERATOR CERTIFICATION</b></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>Cy Cowan</i> Signature</p> <p>Cy Cowan Printed Name</p> <p>Regulatory Agent Title</p> <p>February 10, 2005 Date</p>
			<p><b>SURVEYOR CERTIFICATION</b></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>1/28/2005 Date Surveyed</p> <p><i>[Signature]</i> Signature of Surveyor</p> <p>Professional Surveyor Certificate No. Herschel Jones RLS 3640 KIAWAH I GENERAL SURVEYING COMPANY</p>

**YATES PETROLEUM CORPORATION**  
**Kiawah BFQ Federal #1**  
 1830' FSL and 660' FWL  
 Section 34,T20S-R25E  
 Eddy County, New Mexico

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

San Andres	1005'	Strawn	8845'
Glorietta	2715'	Atoka	9280'
Upper Yeso	2905'	Upper Morrow	9635'
Bone Spring Lime	3615'	Middle Morrow	9685'
2nd Bone Spring Lime	5255'	Lower Morrow	9855'
3 <sup>rd</sup> Bone Spring Lime	6715'	Base of Morrow	9930'
Wolfcamp	6915'	TD	10100'
Cisco Canyon	7855'		

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

Water: 312'  
 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>	
17 1/2"	13 3/8"	48#	H-40	ST&C	0-400'	400'	WITNESS
12 1/4"	9 5/8"	36#	J-55	ST&C	0-3650'	3650'	WITNESS
8 3/4"	5 1/2"	15.5#+17#	J-55+L80	LT&C	0-10100'	10100'	

Yates Petroleum Corporation 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

**B. CEMENTING PROGRAM:**

Surface casing: 450 sx 'C' + 2% CaCl<sub>2</sub>(YLD 1.34 WT 14.8).

Intermediate casing: 1100 sx Lite C (Yld 1.98 WT 12.5) Tail in w/200 sx Class C (YLD 1.34 WT 14.8).

Production Casing: TOC 3000', Lead w/ 500 sx Lite 'C' (YLD 1.95 WT 12.5) Tail in w/ 775 sx Super 'C' Modified (YLD 1.57 WT 13.2).

**5. Mud Program and Auxiliary Equipment:**

<u>Interval</u>	<u>Type</u>	<u>Weight</u>	<u>Viscosity</u>	<u>Fluid Loss</u>
Spud to 400'	FW/Spud Mud	8.4-8.6	34-36	N/C
400'-3650'	Fresh Water	8.4	28	N/C
3650'-6900'	Cut Brine	8.7-9.0	28	N/C
6900'-7855'	Cut Brine	9.0-9.3	28	N/C
7855'-8800'	Cut Brine	9.3-9.6	34	N/C
8800'-10100'	SW/Gel/Starch/4%-6% KCL	9.6-9.8	30-32	<6 cc

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 intermediate casing to TD.

Logging: Platform Express/HALS/NGT/FMI.

Coring: None anticipated.

DST's: Possible from Wolfcamp to TD.

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

**Anticipated BHP:**

From: 0 TO 400' Anticipated Max. BHP: 180 PSI

From: 400' TO 3650' Anticipated Max. BHP: 1600 PSI

From: 3650' TO 10100' Anticipated Max. BHP: 5150 PSI

Abnormal Pressures Anticipated: None

Lost Circulation Zones Anticipated: None

H<sub>2</sub>S Zones Anticipated: None

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.

**Kiawah BFQ Federal #1**

**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:

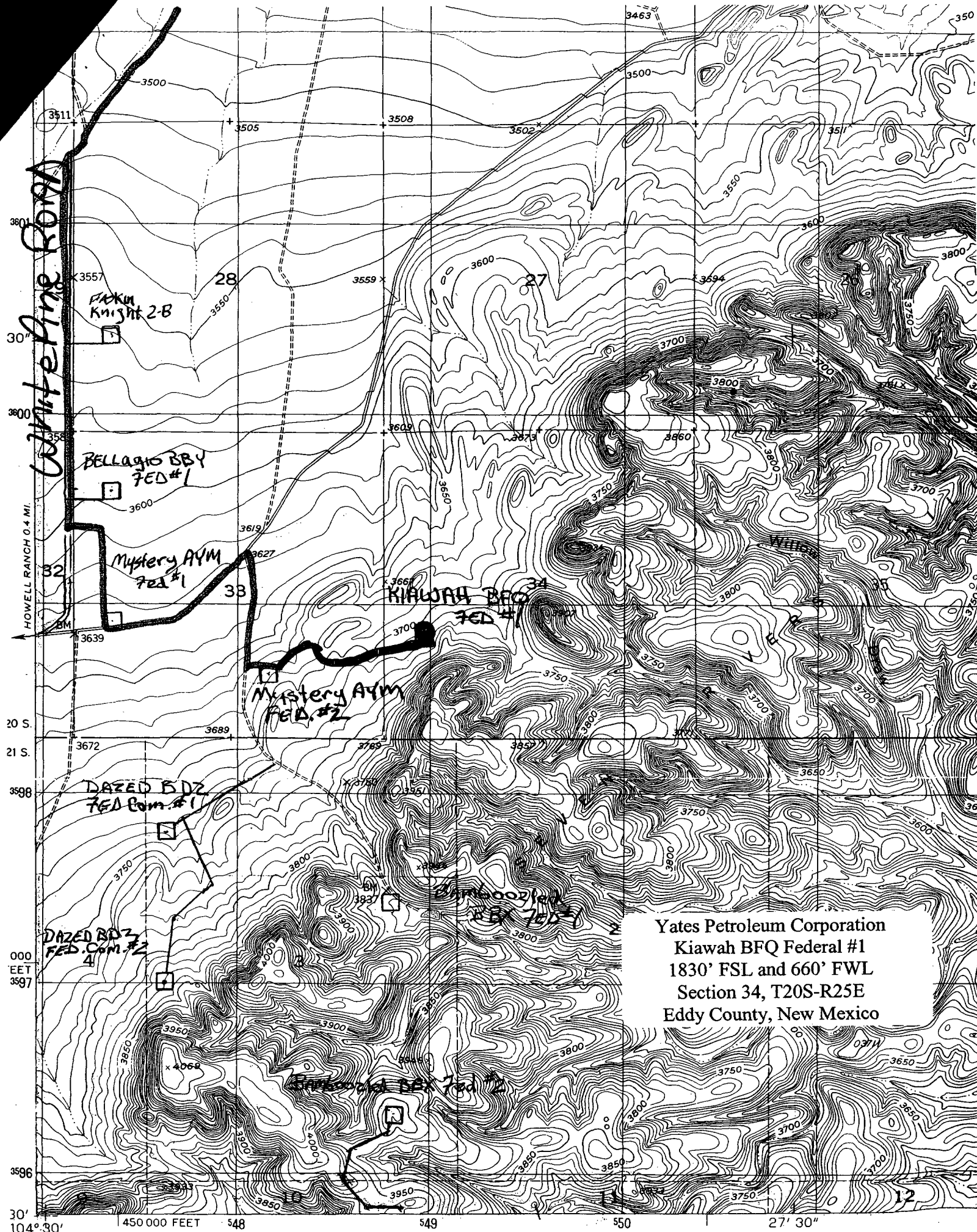
Pinson McWhorter, Operations Manager  
Yates Petroleum Corporation  
105 South Fourth Street  
Artesia, New Mexico 88210  
Phone (505) 748-1471

**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.

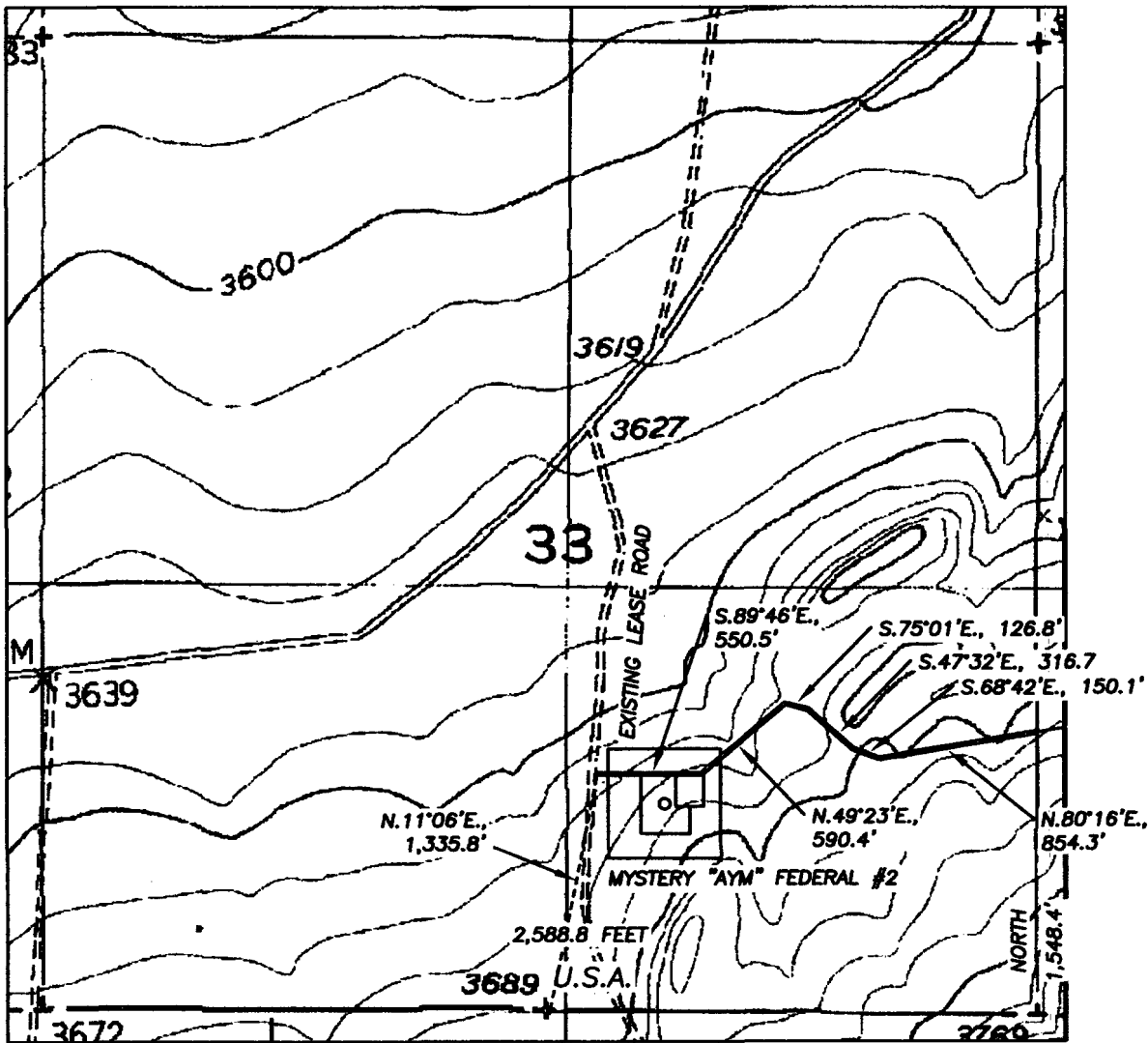
2/10/05

  
Regulatory Agent



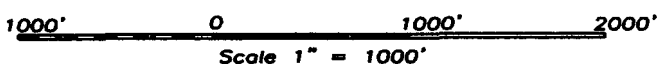
Yates Petroleum Corporation  
 Kiawah BFQ Federal #1  
 1830' FSL and 660' FWL  
 Section 34, T20S-R25E  
 Eddy County, New Mexico

SECTION 33, TOWNSHIP 20 SOUTH, RANGE 25 EAST, NMPM, EDDY COUNTY, NEW MEXICO.

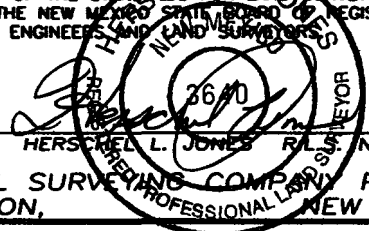


**DESCRIPTION:**  
 A LEASE ROAD RIGHT OF WAY 30 FEET WIDE AND 2,588.8 FEET IN LENGTH, BEING 15 FEET TO THE LEFT AND RIGHT OF THE SURVEY CENTERLINE AS SHOWN IN RED ON THIS PLAT.

2,588.8 FEET = 156.8970 RODS, 0.4903 MILES OR 1.7829 ACRES, MORE OR LESS.



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

<b>YATES PETROLEUM CORP.</b>	
LEASE ROAD TO ACCESS THE YATES KIAWAH "BFO" FEDERAL #1 WELL, LOCATED IN SECTION 34, TOWNSHIP 20 SOUTH, RANGE 25 EAST, NMPM, EDDY COUNTY, NEW MEXICO.	
Survey Date: 1/28/2005	Sheet 1 of 2 Sheets
Drawn By: Ed Blevins	W.O. Number
Date: 1/29/05	Scale 1" = 1000' KIAWAH 1



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



105 SOUTH FOURTH STREET  
ARTESIA, NEW MEXICO 88210-2118  
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

February 10, 2005

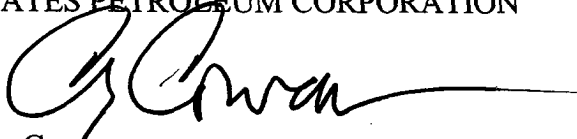
To: Bryan Arant  
From: Cy Cowan

Re: Yates Petroleum Corporation  
Kiawah BFQ Federal #1  
H2S Contingency Plan

Sources at Yates Petroleum Corporation have relayed information to me that they believe there will not be enough H2S found from the surface through the Morrow Formation to meet the OCD's minimum requirements for the submission of a contingency plan per Rule 118.

Thank you,

YATES PETROLEUM CORPORATION



Cy Cowan  
Regulatory Agent

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



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TREASURER

105 SOUTH FOURTH STREET  
ARTESIA, NEW MEXICO 88210-2118  
TELEPHONE (505) 748-1471

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2005 FEB 17 AM 9:49  
BUREAU OF LAND MANAGEMENT

**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:

Lease No.: NM-108456

Bond Coverage: Individually Bonded

Kiawah BFQ Federal #1

Legal Description of Land:

BLM Bond File No.: NM 2811

1830' FSL and 660' FWL S/2

Section 34, T20S-R25E

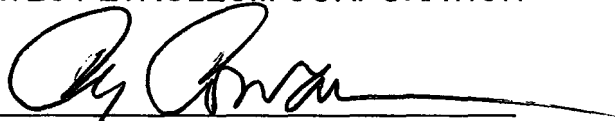
Eddy County, New Mexico

Formation (s) – (if applicable):

\_\_\_\_\_  
\_\_\_\_\_

YATES PETROLEUM CORPORATION

Date: February 15, 2005

  
\_\_\_\_\_  
Cy Cowan, Regulatory Agent