

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

DEC 15 2004

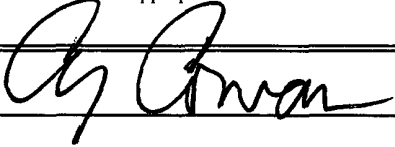
0
OMB No. 1004-0136
Expires November 30, 2000

APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of Work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. NMNM93459	
b. Type of Well: Oil Well <input checked="" 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 Petroleum Corporation		7. If Unit or CA Agreement, Name and No.	
3A. Address 105 South Fourth Street Artesia, New Mexico 88210		8. Lease Name and Well No. 32113 Arley Federal Unit #2 Q	
3b. Phone No. (include area code) (505) 748-1471		9. API Well No. 30-015-34142	
4. Location of Well (Report location clearly and in accordance with any State requirements. *) At surface SWSW 460' FSL and 635' FWL At proposed prod. Zone Same		10. Field and Pool, or Exploratory Wildcat	
14. Distance in miles and direction from nearest town or post office* Approximately 42 Miles SW of Artesia, New Mexico		11. Sec., T., R., M., or Blk. and Survey or Area Sec. 18, T20S-R23E Mer NMP	
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 635	16. No. of Acres in lease 1198.88	17. Spacing Unit dedicated to this well	
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 2 miles	19. Proposed Depth 8450 MD	20. BLM/BIA Bond No. on file NM-2811	
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 4253 GL	22. Approximate date work will start* ASAP	23. Estimated duration 45 days	
24. Attachments Leasehold Controlled Water Basin			

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 11/9/04
Title: Regulatory Agent / Land Department		
Approved by (Signature) /s/ Joe G. Lara		
Name (Printed/Typed) /s/ Joe G. Lara		
Date DEC 13 2004		
Title Acting 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)

Previously Approved

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

115L-4834 Witness Surface Casing

YATES PETROLEUM CORPORATION

Arley Federal Unit #2
460' FSL and 635' FWL
Section 18-T20S-R23E
Eddy County, New Mexico

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

San Andres	Surface	Strawn	6793'
Glorieta	1509'	Atoka	7730'
Upper Yeso	1709'	Morrow Clastics	8040'
Tubb	2903'	Middle Morrow	8065'
Lower Yeso	3047'	Lower Morrow	8205'
Abo	3559'	Base Morrow Clastics	8300'
Wolfcamp	4653'	Chester LM	8370'
Cisco	5843'	TD	8450'

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

Water: 250'-350'
Oil or Gas: All potential zones.

3. Pressure Control Equipment: BOPE will be installed on the 9 5/8" casing and rated for 3000 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>
14 3/4"	9 5/8"	36#	J-55	ST&C	0-1400'	1400'
8 3/4"	5 1/2"	17#	J-55	LT&C	0-100'	100'
8 3/4"	5 1/2"	15.5#	J-55	LT&C	100-6800'	6700'
8 3/4"	5 1/2"	17#	N-80	LT&C	6800'-8450'	1550'

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

B. CEMENTING PROGRAM:

Surface casing: 900 sx Lite + 25#/sx Celloflake+ 2% CaCL₂ + 5sx LCM-1 + 6% Bentonite.
Tail in with 200sx C + 2% CaCL₂.

Production Casing: TOC=4200', 800 sx Super "C" (YLD 1.67 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>
0-1400'	FW Spud Mud/Air Mist	8.4-8.6	28-36	N/C
1400'-7200'	FW/Cut Brine	8.4-9.2	28	N/C
7200'-TD	Salt Gel/Starch/4% KCL	9.2-9.6	34-36	<10-12cc

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' samples out from under intermediate casing.

Logging: Platform Express/HALS/sonic; possible FMI.

Coring: Possible Rotary Sidewall Cores

DST's: As warranted.

7. ABNORMAL CONDITIONS, BOTTOM HOLE PRESSURE, AND POTENTIAL HAZARDS:

Anticipated BHP:

From: 0	TO: 1400'	Anticipated Max. BHP: 600	PSI
From: 1400'	TO: 8450'	Anticipated Max. BHP: 4200	PSI

No abnormal pressures or temperatures are anticipated.

Lost Circulation Zones Anticipated: None

H₂S Zones Anticipated: None Anticipated

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.

**MULTI-POINT SURFACE USE AND OPERATIONS PLAN
YATES PETROLEUM CORPORATION**

Arley Federal Unit #2
460' FSL and 635' FWL
Section 18-T20S-R23E
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 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 42 miles Southwest of Artesia, New Mexico and the access route to the location is indicated in red and green on Exhibit A.

DIRECTIONS:

Go south of Artesia on Highway 285 to Rock Daisy Road (CR-23). Turn west on Rock Daisy Road and go approx. 17.5 miles to Armstrong Road (CR-12). Turn south on Armstrong Road and go 0.5 of a mile to Deer Canyon Road (CR-24). Turn west on Deer Canyon Road and go approx. 1.6 miles. Turn left on faint two-track road going south. Follow two-track road for approx. 0.5 of a mile to dry hole marker for the Max Wilson #1 Lynn Wildernhel well. The new road will start here going southeast for approx. 0.4 of a mile to the northeast corner of the proposed well location.

2. PLANNED ACCESS ROAD:

- A. The proposed new access will go southeast for approximately 0.4 of a mile to the northeast corner of the drilling pad. The road will lie in a north to south direction. See attached map.
- 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 will be built.
- 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 no 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:

Dirt contractor will locate nearest pit and obtain any permits and materials 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 landfill. 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.
- C. A 400' x 400' 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 after they have evaporated and dried.

11. SURFACE OWNERSHIP: Federal Surface, Administered by Bureau of Land Management, Carlsbad, New Mexico.

Arley Federal Unit #2

Page 3

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:
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.

11/09/04


Regulatory Agent

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

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-102
Revised August 15, 2000

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
⁴ Property Code	⁵ Property Name Arley Federal Unit	⁶ Well Number 2
⁷ OGRID No. 025575	⁸ Operator Name Yates Petroleum Corporation	⁹ Elevation 4253

¹⁰ Surface Location

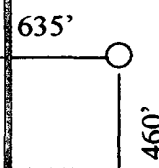
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
Lot 4	18	20S	23E		460	South	635	West	Eddy

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

¹² Dedicated Acres 318.88	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ 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

NM-93459				<p>¹⁷ OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</p> <p><i>Cy Cowan</i></p> <p>Signature</p> <p>Cy Cowan</p> <p>Printed Name</p> <p>Regulatory Agent</p> <p>Title</p> <p>11/09/2004</p> <p>Date</p> <p>¹⁸ 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>REFER TO ORIGINAL PLAT</p> <p>Date of Survey</p> <p>Signature and Seal of Professional Surveyor:</p> <p>Certificate Number</p>
				

District I,
1625 N. French Dr. Hobbs, NM 88240

District II,
511 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
Property Code	Property Name	Wildcat
OGRID No. 025575	Operation Name YATES PETROLEUM CORPORATION	Well Number 2
		Elevation 4253

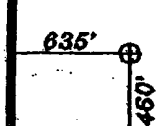
Surface Location

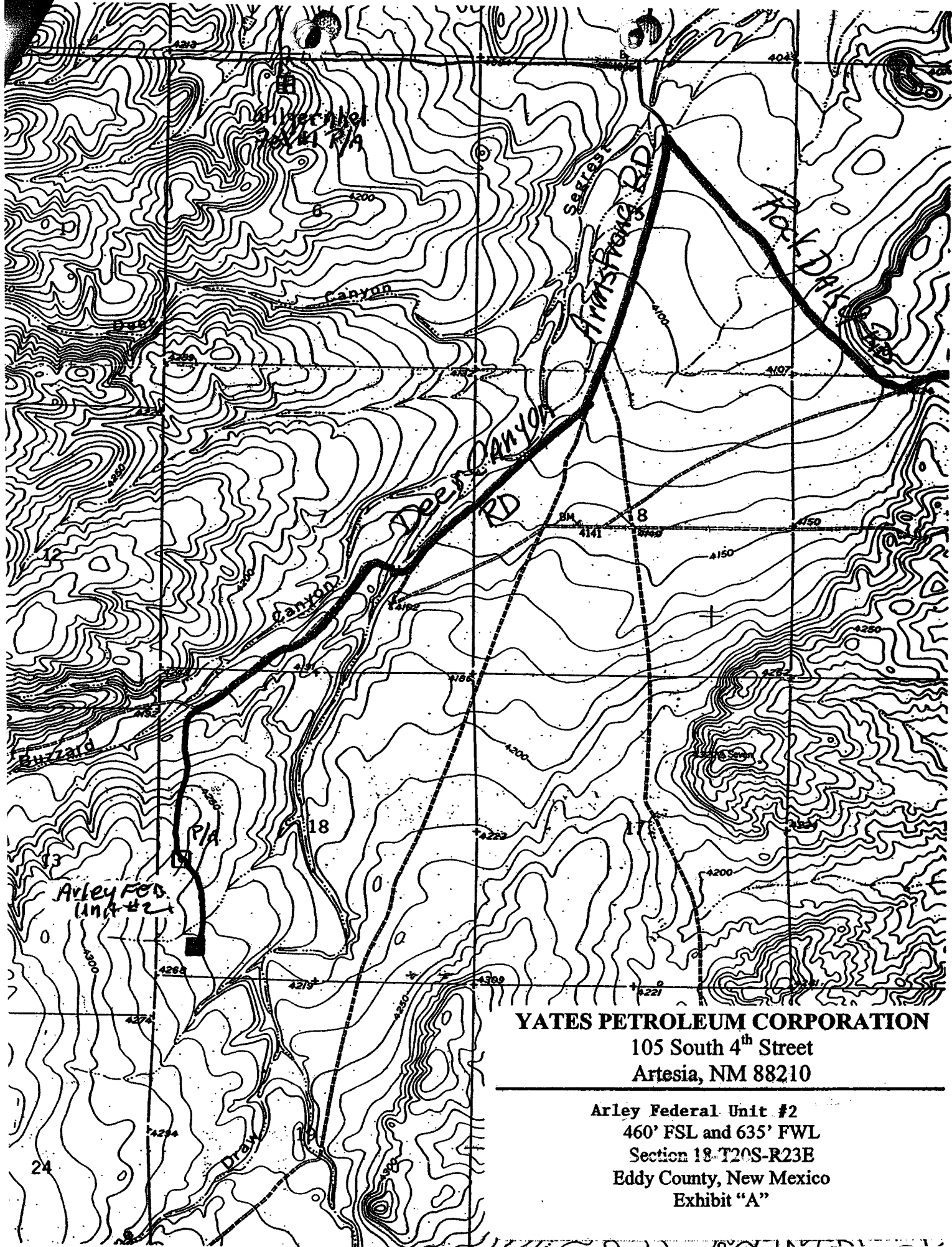
UL or Lot No.	Section	Township	Range	Lot Id.	Feet from the	North/South line	Feet from the	East/West line	County
LOT 4	18	20-S	23-E		460	SOUTH	635	WEST	EDDY

Bottom Hole Location, if Different From Surface

UL or Lot No.	Section	Township	Range	Lot Id.	Feet from the	North/South line	Feet from the	East/West line	County
Dedicated Acres 318.88	Joint or Infill	Consolidation Code	Order No.						

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

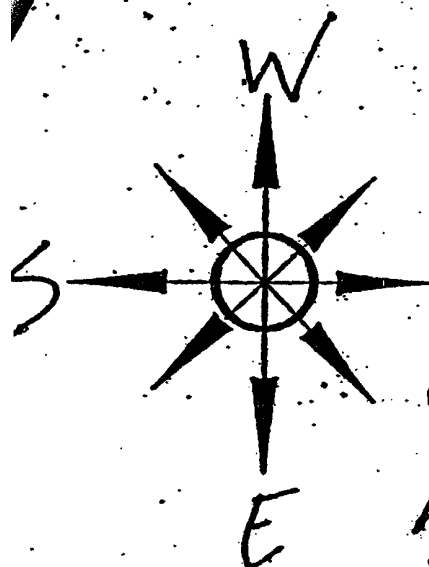
NM-93459	OPERATOR CERTIFICATION	
	I HEREBY CERTIFY THAT THE INFORMATION HEREIN IS TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF.	
	Signature <i>Cy Cowan</i>	
	Printed Name Cy Cowan	
	Title Regulatory Agent	
	Date October 23, 2002	
	SURVEYOR CERTIFICATION	
	I HEREBY CERTIFY THAT THE WELL LOCATION 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.	
	Date of Survey OCTOBER 9, 2002	
	Signature and Seal of Professional Surveyor	
	NEW MEXICO 5412 REGISTERED LAND SURVEYOR NM PROFESSIONAL SURVEYOR Certificate Number	



YATES PETROLEUM CORPORATION

105 South 4th Street
Artesia, NM 88210

Arley Federal Unit #2
460' FSL and 635' FWL
Section 18 T20S-R23E
Eddy County, New Mexico
Exhibit "A"



Yates Petroleum Corporation
Location Layout for Permian Basin
Up to 12,000'

N Pits South
Cut NW Corner of
Location Down to
Stay out of drainage

YATES PETROLEUM CORPORATION

105 South 4th Street

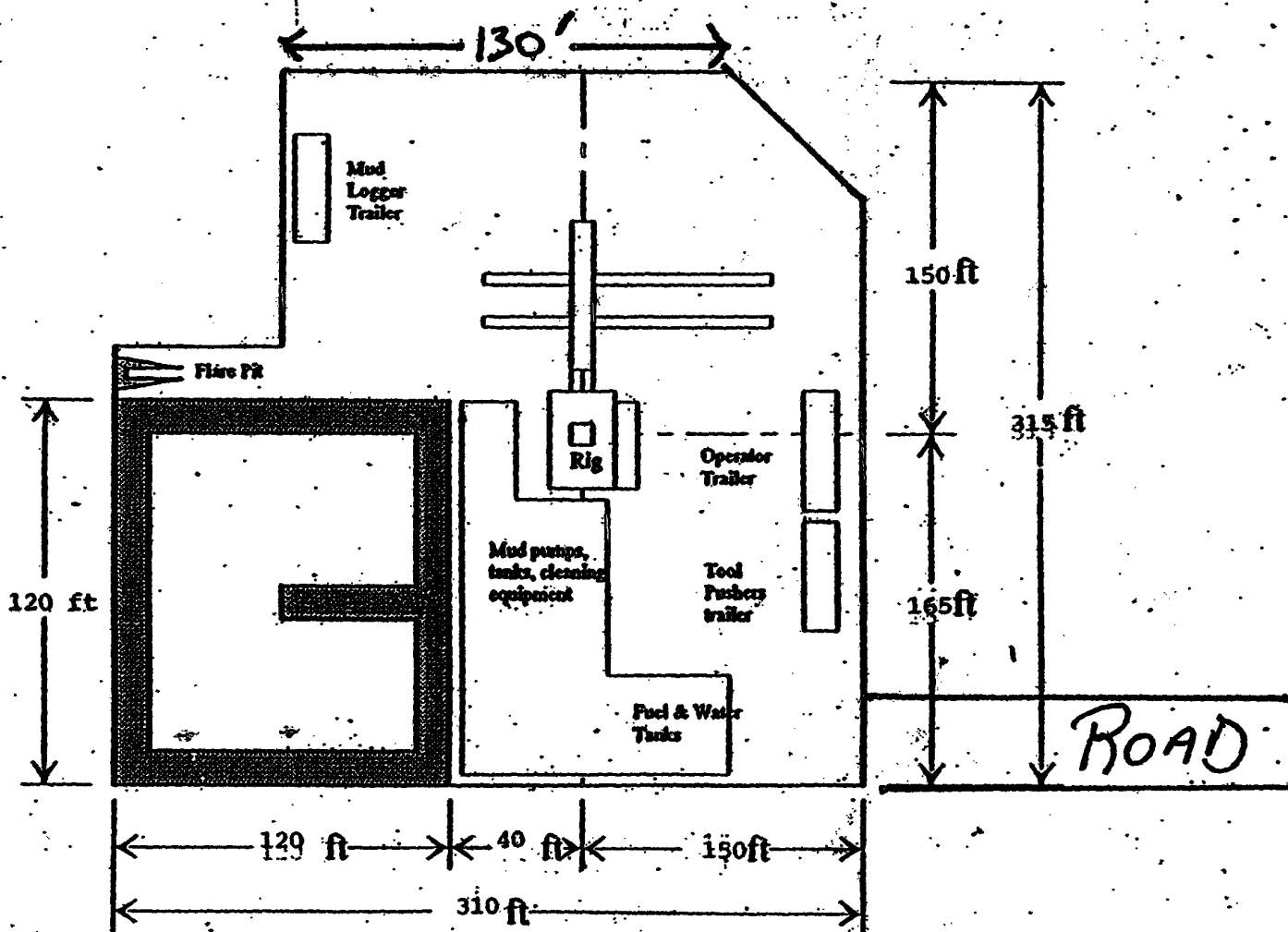
Artesia, NM 88210

Arley Federal Unit #2

460' FSL and 635' FWL

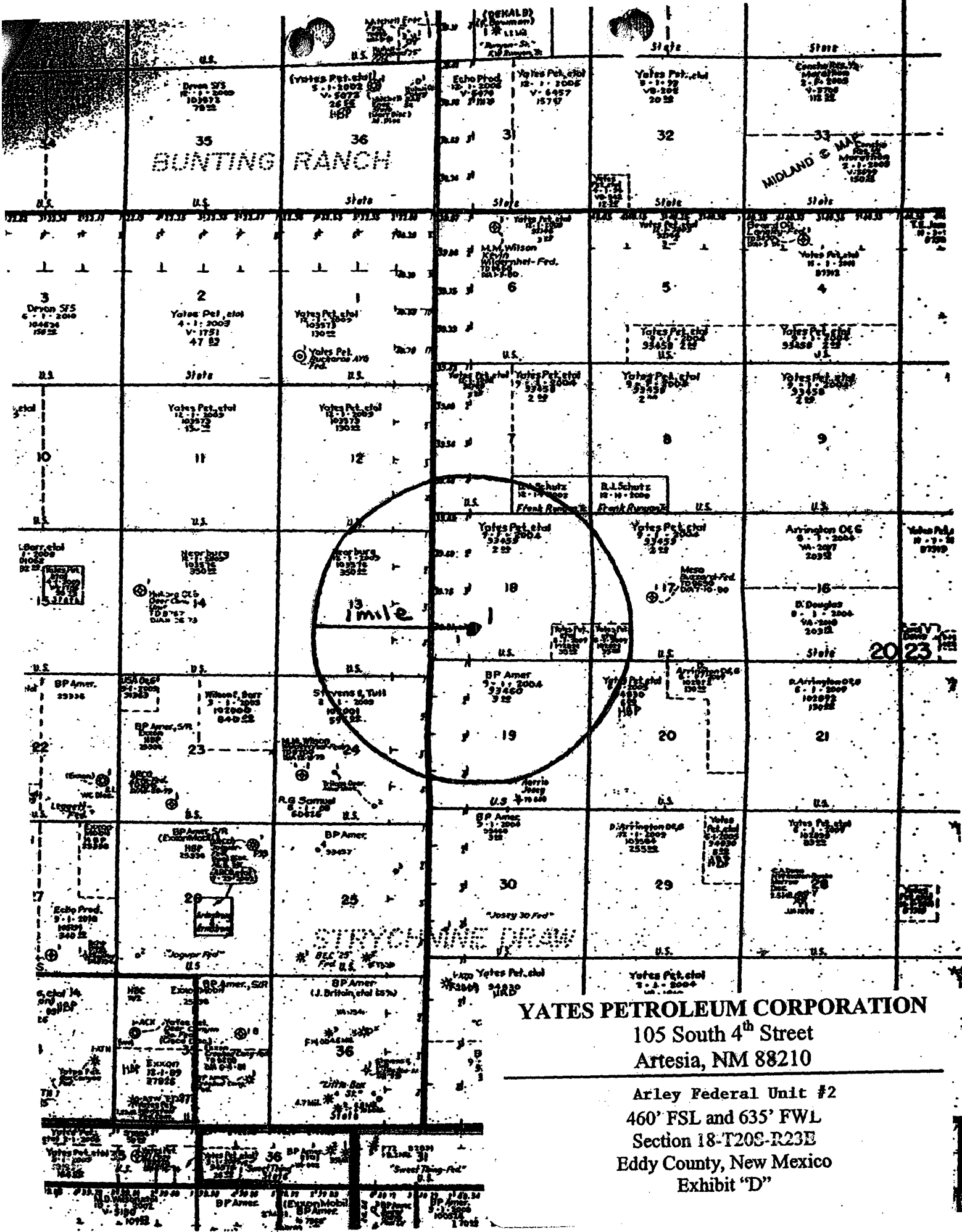
Section 18-T20S-R23E

Eddy County, New Mexico



Distance from Well Head to Reserve Pit will vary between rigs

The above dimension should be a maximum



YATES PETROLEUM CORPORATION

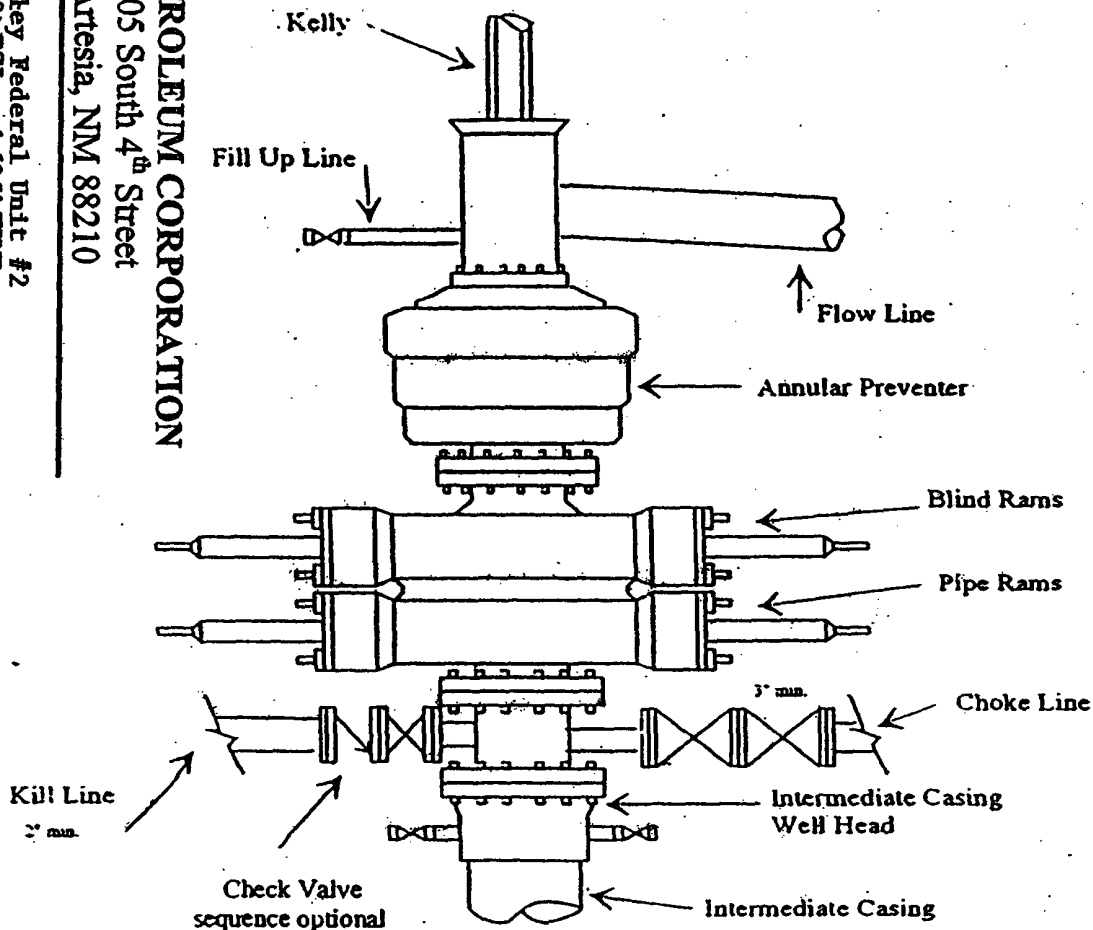
105 South 4th Street
Artesia, NM 88210

Arley Federal Unit #2
460' FSL and 635' FWL
Section 18-T20S-R23E
Eddy County, New Mexico
Exhibit "D"

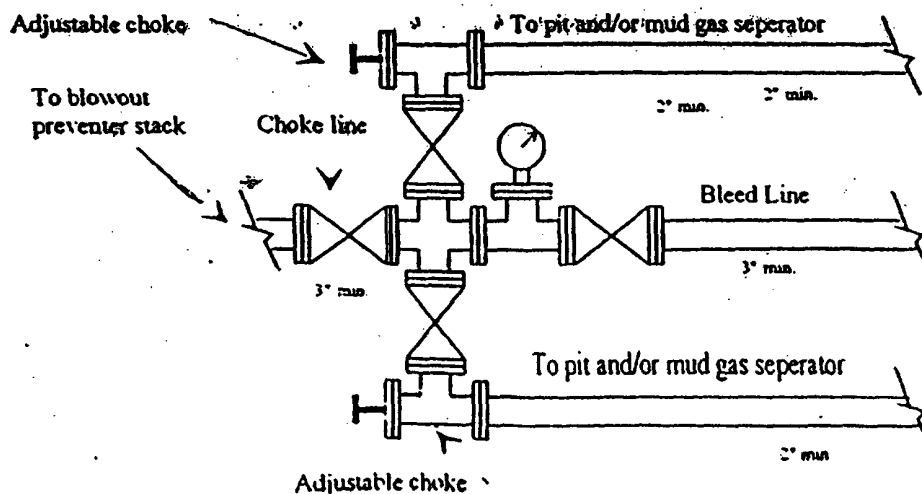
Yates Petroleum Corporation

BOP-3

Typical 3,000 psi Pressure System Schematic Annular with Double Ram Preventer Stack



Typical 3,000 psi choke manifold assembly with at least these minimum features



YATES PETROLEUM CORPORATION

105 South 4th Street
Artesia, NM 88210

Arley Federal Unit #2
460' FSL and 635' FWL
Section 18-T20S-R23E
Eddy County, New Mexico
Exhibit "B"

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

SUNDRY NOTICES AND REPORTS ON WELLS
Do not use this form for proposals to drill or to re-enter an abandoned well. Use form 3160-3 (APD) for such proposals.

FORM APPROVED
OMB NO. 1004-0135
Expires: November 30, 2000

5. Lease Serial No.
NMNM93459

6. If Indian, Allottee or Tribe Name

SUBMIT IN TRIPLICATE - Other instructions on reverse side.

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

1. Type of Well
☐ Oil Well ☒ Gas Well ☐ Other

8. Well Name and No.
ROJO STRIPE BAR FEDERAL 1

2. Name of Operator
YATES PETROLEUM CORPORATION

Contact: ROBERT ASHER
E-Mail: landdept@ypcnm.com

9. API Well No.
30-015-32602-00-X1

3a. Address
105 S 4TH STREET
ARTESIA, NM 88210

3b. Phone No. (include area code)
Ph: 505.748.4384
Fx: 505.748.4572

10. Field and Pool, or Exploratory
WILDCAT

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)
Sec 18 T20S R23E SWSW 480FSL 635FWL

11. County or Parish, and State
EDDY COUNTY, NM

12. CHECK APPROPRIATE BOX(ES) 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"/> Acidize	<input type="checkbox"/> Deepen	<input type="checkbox"/> Production (Start/Resume)	<input type="checkbox"/> Water Shut-Off
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Fracture Treat	<input type="checkbox"/> Reclamation	<input type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete	<input checked="" type="checkbox"/> Other
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> Water Disposal	

13. Describe Proposed or Completed Operation (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recomple horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the record under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompletion in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

Yates Petroleum Corporation wishes to change the name of the captioned well
from: Rojo Stripe BAR Federal #1
to: Arley Federal Unit #2

Thank you.

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

Electronic Submission #20384 verified by the BLM Well Information System
For YATES PETROLEUM CORPORATION, sent to the Carlsbad
Committed to AFMS for processing by Armando Lopez on 04/07/2003 (03AL0246SE)

Name (Printed/Typed) CY COWAN

Title REGULATORY AGENT

Signature (Electronic Submission)

Date 04/04/2003

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved By ALEXIS C SWOBODA

Title PETROLEUM ENGINEER

Date 04/07/2003

Conditions of approval, if any, are attached. Approval of this notice 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.

Office Carlsbad

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.

**** REVISED ** REVISED ** REVISED ** REVISED ** REVISED ** REVISED ** REVISED ** REVISED ****