

If earthen pits are used in association with the drilling of this well, an OCD pit permit must be obtained prior to pit construction.

JD-ARTESIA

Resubmittal

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

5-23-06

H-06-57

OMB No. 1004-0136

Expires November 30, 2004

5. Lease Serial No.

6. If Indian, Aborigine or Tribal Land

7. If Unit or C.A. Agreement, Name and No.

8. Lease Name and Well No.

Shelby AVL Federal Com. #1

9. API Well No.

30-015-35070

10. Field and Pool, or Exploratory

Turkey Track; Morrow. North

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

Section 24, T18S-R29E

12. County or Parish

Eddy

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 (25575)

25575

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 & 1980' FWL, Unit N

At proposed prod. Zone

Same

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

Approximately 20 miles SE of Artesia, New Mexico

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

280.00

17. Spacing Unit dedicated to this well

W/2

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

1320'

19. Proposed Depth

11,900'

20. BLM/BIA Bond No. on file

585997

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

3445' GL

22. Approximate date work will start*

ASAP

23. Estimated duration

45 Days

24. Attachments

Captain 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.

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

Cy Cowan

Name (Printed/Typed)

Cy Cowan

Date

5/22/2006

Email: cy@ypcnm.com

Title: Regulatory Agent/Land Department

Approved by (Signature)

/s/ Don Peterson

Name (Printed/Typed)

/s/ Don Peterson

Date

JUL 31 2006

Title

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

C-144 Attached

DECLARED WATER BASIN
CEMENT BEHIND THE 11 3/4"
CASING MUST BE CIRCULATED
WITNESS

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS AND
SPECIAL STIPULATIONS
ATTACHED

SALT 29.5

State of New Mexico
Energy, Minerals & Natural Resources Department

Form C-102
Revised August 15, 2000

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

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

H-06-57
5/23/06

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number	² Pool Code 86500	³ Pool Name Turkey Track; Morrow North
⁴ Property Code	⁵ Property Name Shelby AVL Federal Com.	⁶ Well Number 1
⁷ OGRID No. 025575	⁸ Operator Name Yates Petroleum Corporation	⁹ Elevation 3445'

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
N	24	18S	29E		660	South	1980	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 320	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

FEE	FEE			<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>04/30/2004</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>
V-5345				
K-3791	LC-047311-B			
1980'	<p>660'</p>			

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

District II
811 South First, Artesia, NM 88210

District III
1000 N. 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 Wildcat Morrow
Property Code	Property Name SHELBY "AVL" FED. COM.	Well Number 1
OGRID No. 025575	Operation Name YATES PETROLEUM CORPORATION	Elevation 3445

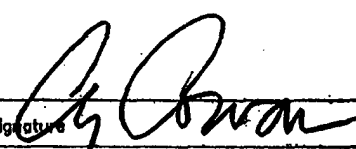
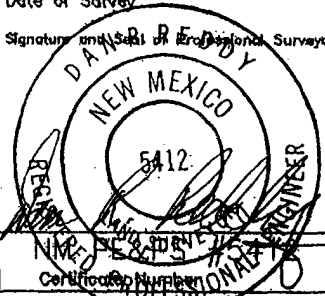

Surface Location

UL or Lot No.	Section	Township	Range	Lot Idn.	Feet from the	North/South line	Feet from the	East/West line	County
N	24	18-S	29-E		660	SOUTH	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 320	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

FEE		OPERATOR CERTIFICATION I HEREBY CERTIFY THAT THE INFORMATION HEREIN IS TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE AND BELIEF.  Signature Printed Name Cy Cowan Title Regulatory Agent Date April 30, 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. APRIL 11, 2002 Date of Survey Signature and Seal of Professional Surveyor 
	FEE	
V-5345		
K-3791 1980'	LC-047311-B 	

YATES PETROLEUM CORPORATION
Shelby AVL Federal Com. #1
 660' FSL & 1980' FWL
 Section. 24 -T18S-R29E
 Eddy County, New Mexico

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

Yates	960'	Strawn	10,350'
Queen	1810'	Atoka	10,600'
Bone Spring	3870'	Morrow Clastics	10,840'
Wolf Camp	9000'	Austin Cycle	11,750'
Penn	9740'	TD	11,900'
Canyon	10,090'		

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

Water: Approx 250' - 350'
 Oil or Gas: All Potential Zones

3. Pressure Control Equipment: BOPE will be installed on the 8 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>Coupling</u>	<u>Interval</u>	<u>Length</u>
14 3/4"	11 3/4"	42#	H-40	ST&C	0-400'	400'
11"	8 5/8"	34#	J-55	ST&C	0-3200'	3200'
7 7/8"	5 1/2"	17#	J-80	LT&C	0-2500'	2500'
7 7/8"	5 1/2"	17#	J-55	LT&C	2500-7500'	5000'
7 7/8"	5 1/2"	17#	N-80	LT&C	7500-10300'	2800'
7 7/8"	5 1/2"	17#	HCP-110	LT&C	10300-11900'	1600'

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

B. CEMENTING PROGRAM:

Surface casing: 200 sx "C" (Yld 1.32 Wt.14.6) Tail in w/ 200 sx "C"+ 2% CaCL₂ (Yld 1.32 Wt 14.6)

Intermediate Casing: 1500 sx Lite (Yld 2.05 Wt 12.6); Tail in w/200 sx "C" (Yld 1.32 Wt. 14.6)

Production Casing: TOC-2700'; 700 sx Lite (Yld 2.05 Wt. 12.6). Tail in w/ 500 sx Super "C" (Yld 1.67 Wt 13.0)

Nitrified mud will be used ahead of cement.

5. Mud Program and Auxiliary Equipment:

<u>Interval</u>	<u>Type</u>	<u>Weight</u>	<u>Viscosity</u>	<u>Fluid Loss</u>
0-400'	FW Gel/Paper	8.6-9.0	32-36	N/C
400'-3200'	Brine	10.0-10.2	28	N/C
3200'-10500'	Cut Brine	8.8-9.5	28	N/C
10500'-11900'	Salt Gel/Starch/Drispac/KCL	9.5-10.0	32-40	<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 5000' to TD.

Logging: Platform HALS

Coring: Sidewall cores as warranted.

DST's: As warranted.

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

Anticipated BHP:

From: 0	TO: 400'	Anticipated Max. BHP:	150	PSI
From: 400'	TO: 3200'	Anticipated Max. BHP:	1300	PSI
From: 3200'	TO: TD	Anticipated Max. BHP:	5750	PSI

No abnormal pressures or temperatures are anticipated.

Lost Circulation Zones Anticipated: None.

H₂S Zones Anticipated: None

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
Shelby AVL Federal Com. #1
660' FSL & 1980' FWL
Section. 24, T-18S-R29E
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 well site is located approximately 20 miles southeast 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 on Highway 82 to State Road 360. Turn right on 360 and go to the intersection of Highway 360 and Old Loco Road. From here continue east on 360 for approx. 1.5 miles. Turn north here at yellow cattle guard and Myco East Turkey Track Fed. Com. #3 well sign. Go north on existing lease road and go approximately 1.1 miles. The new access road will start here going east.

2. PLANNED ACCESS ROAD.

- A. The proposed new access will go east for approximately 400' to the northwest corner of the drilling pad. The road will lie in a 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. Traffic turnouts may 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 drilling activity within a one-mile radius of the well site.
- B. Exhibit D shows existing wells within a one-mile radius of the proposed well site.

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, an electric 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 closest 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 well site 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: Private surface owned by Bogle Limited Company of Dexter New Mexico. YPC has made a surface agreement with Mr. Lewis Derrick representing Bogle Limited Company.

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:

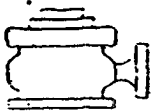
Pinson McWhorter,
Operations Manager
Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210
Phone (505) 748-1471

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.

5/22/2006

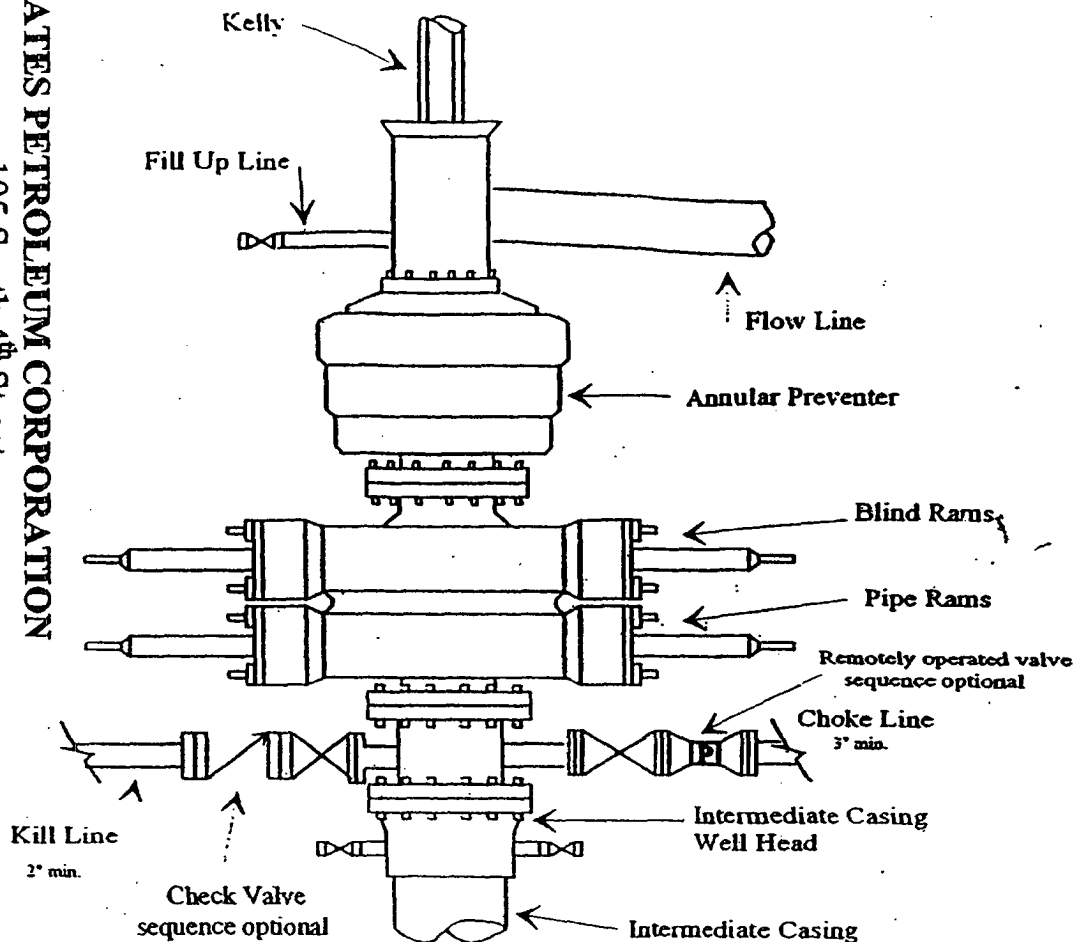

Regulatory Agent



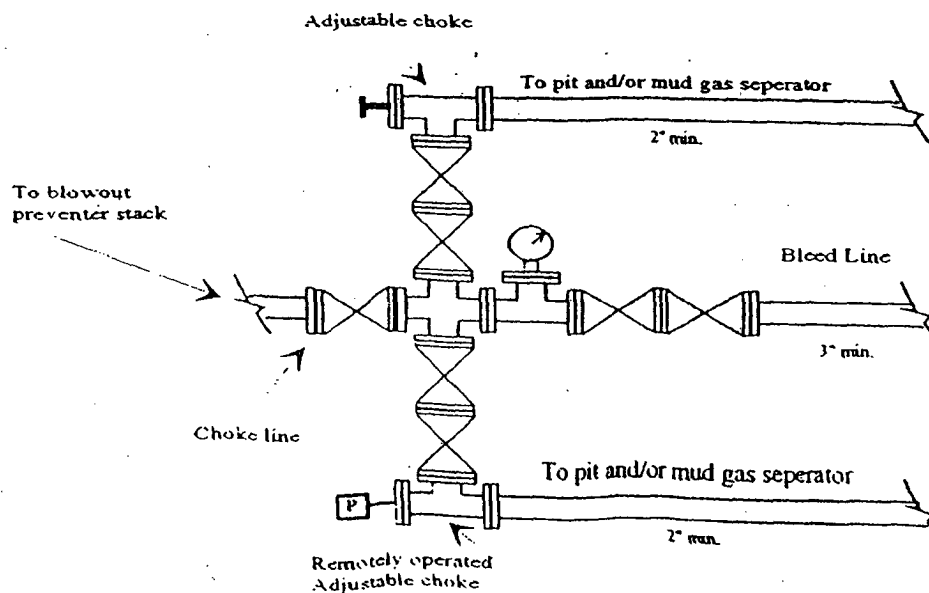
Yates Petroleum Corporation

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 PETROLEUM CORPORATION

105 South 4th Street
Artesia, NM 88210

Shelby "AVL" Federal Com. #1

660' FSL & 1980' FWL

Section 24-T18S-R29E

Eddy County, New Mexico

Exhibit "B"

Yates Petroleum Corporation

Location Layout for Permian Basin

Up to 12,000'

*Pits South
U-Door West*

YATES PETROLEUM CORPORATION

105 South 4th Street

Artesia, NM 88210

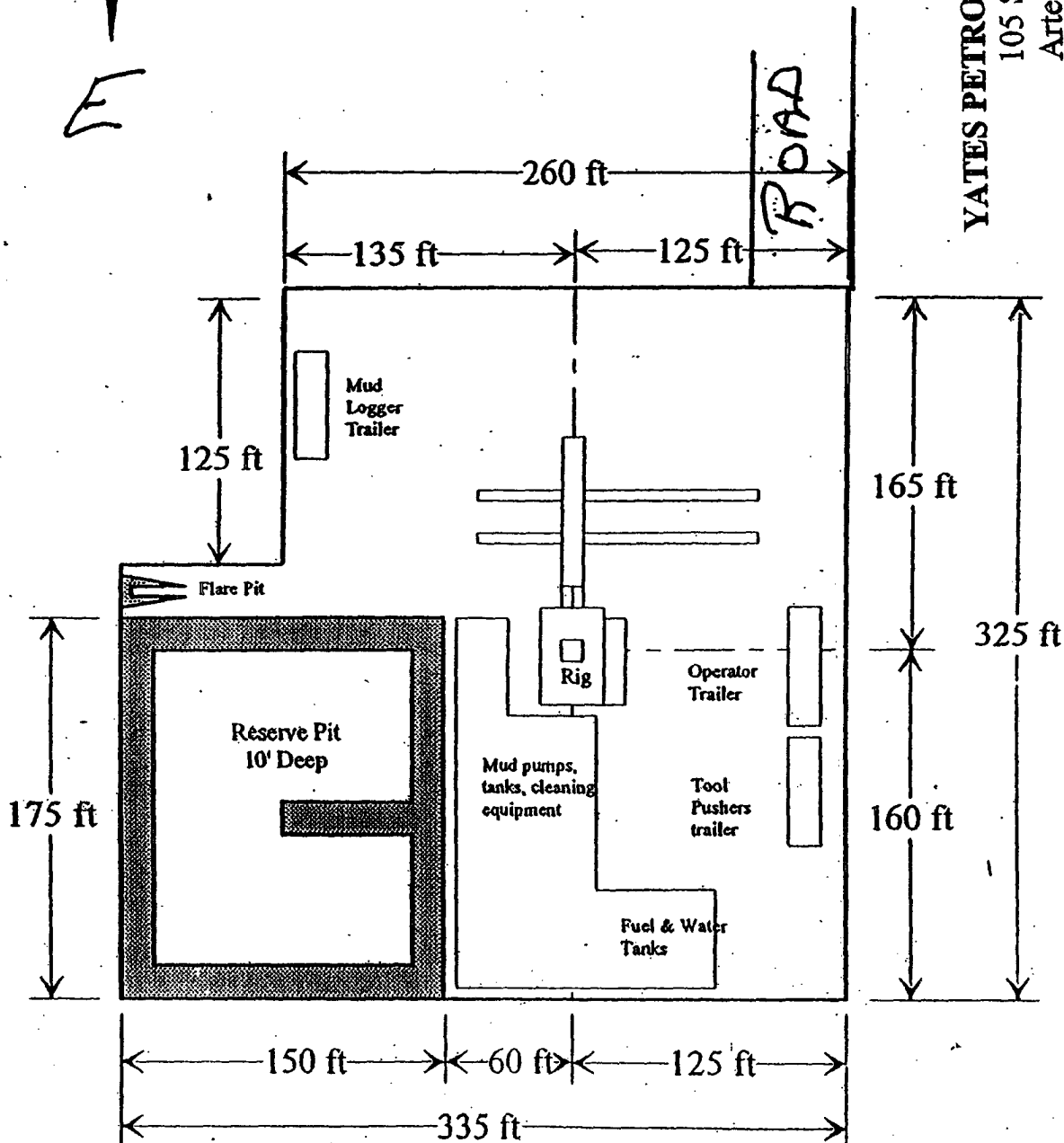
Shelby "AVL" Federal Com. #1

660' FSL & 1980' FWL

Section 24-T18S-R29E

Eddy County, New Mexico

Exhibit "C"



Distance from Well Head to Reserve Pit will vary between rigs

The above dimension should be a maximum

*3350
1150
185*

CONDITIONS OF APPROVAL - DRILLING

Operator's Name: Yates Petroleum Corporation Well No.: 1 - Shelby AVL Federal Com
Location: 660' FSL & 1980' FWL sec. 24, T. 18 S., R. 29 E.
Lease: LC-047311(b)

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I. DRILLING OPERATIONS REQUIREMENTS:

1. The Bureau of Land Management (BLM) is to be notified at (505) 234-5972 in sufficient time for a representative to witness:

A. Spudding

B. Cementing casing: 11-3/4 inch 8-5/8 inch 5-1/2 inch

C. BOP tests

2. Unless the production casing has been run and cemented or the well has been properly plugged, the drilling rig shall not be removed from over the hole without prior approval.

3. Include the API No. assigned to well by NMOCD on the subsequent report of setting the first casing string.

4. A Communitization Agreement covering the acreage dedicated to this well must be filed for approval with the BLM. The effective date of the agreement shall be prior to any sales.

II. CASING:

1. 11-3/4 inch surface casing should be set at approximately 355 feet in the Rustler Anhydrite above the top of the Salt, below usable water and circulate cement to the surface. If cement does not circulate to the surface, the BLM Carlsbad Field Office shall be notified and a temperature survey or cement bond log shall be run to verify the top of the cement. Remedial cementing shall be completed prior to drilling out that string.

2. Minimum required fill of cement behind the 8-5/8 inch intermediate casing is sufficient to circulate to surface.

3. Minimum required fill of cement behind the 5-1/2 inch production casing is sufficient to tie back 500 feet above the uppermost perforation in the pay zone.

III. PRESSURE CONTROL:

1. Before drilling below the 11-3/4 inch surface casing, the blowout preventer assembly shall consist of a minimum of One Annular Preventer or Two Ram-Type Preventers and a Kelly Cock/Stabbing Valve. Before drilling below the 8-5/8 inch intermediate casing, the blowout preventer assembly shall consist of a minimum of One Annular Preventer, Two Ram-Type Preventers, and a Kelly Cock/Stabbing Valve.

2. Before drilling below the 11-3/4 inch surface casing, minimum working pressure of the blowout preventer and related equipment (BOPE) shall be 2000 psi. Before drilling below the 8-5/8 inch intermediate casing, minimum working pressure of the blowout preventer and related equipment (BOPE) shall be 5000 psi.

CONDITIONS OF APPROVAL - DRILLING (CONTINUED)

Operator's Name: Yates Petroleum Corporation **Well No.:** 1 - Shelby AVL Federal Com
Location: 660' FSL & 1980' FWL sec. 24, T. 18 S., R. 29 E.
Lease: LC-047311(b)

.....

3. After setting the 8-5/8 inch intermediate casing string and before drilling into the Wolfcamp formation, the BOPE shall be tested as described in Onshore Order No. 2. Any equipment failing to test satisfactorily shall be repaired or replaced.

A. The BLM Carlsbad Field Office shall be notified in sufficient time for a representative to witness the tests.

B. The tests shall be done by an independent service company.

C. The results of the test shall be reported to the BLM Carlsbad Field Office at 620 East Greene Street, Carlsbad, New Mexico 88220-6292.

D. Testing fluid must be water or an appropriate clear liquid suitable for sub-freezing temperatures. Use of drilling mud for testing is not permitted since it can mask small leaks.

E. Testing must be done in a safe workman like manner. Hard line connections shall be required.

IV. DRILLING MUD:

1. Mud system monitoring equipment, with derrick floor indicators and visual and audio alarms, shall be operating before drilling into the Wolfcamp formation, and shall be used until production casing is run and cemented. Monitoring equipment shall consist of the following:

A. Recording pit level indicator to indicate volume gains and losses.

B. Flow-sensor on the flow-line to warn of abnormal mud returns from the well.