

5056

OCD-ARTESIA

ATS-07-67

Form 3160-3
(August 1999)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

Split Estate

APPLICATION FOR PERMIT TO DRILL OR REENTER

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

1a. Type of Work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER			1111 13 2007		
b. Type of Well: <input checked="" type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other <input type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone			OCD-ARTESIA		
2. Name of Operator Yates Petroleum Corporation			8. Lease Name and Well No. Federal HQ #3		
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 1022' FNL and 2536' FEL Section 32, T20.5S-R22E SHL At proposed prod. Zone 1260' FNL and 950' FEL Section 5, T21S-R22E BHL			9. API Well No. 30-015-35704		
14. Distance in miles and direction from nearest town or post office* Approximately 45 miles southwest of Artesia, New Mexico.			10. Field and Pool, or Exploratory Undes. Little Box Canyon, Morrow		
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 660'			11. Sec., T., R., M., or Blk. and Survey or Area Section 5, T21S-R22E		
16. No. of Acres in lease 641.20			12. County or Parish Eddy County		
17. Spacing Unit dedicated to this well N/2 of Section 5, T21S-R22E			13. State NM		
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 800'			19. Proposed Depth 8825' TVD 9577' MD		
20. BLM/BIA Bond No. on file NMB-000434			21. Elevations (Show whether DF, KDB, RT, GL, etc.) 4283' 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. | 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 5/10/2007
Regulatory Agent		
Approved by (Signature) /s/ James Stovall	Name (Printed/Typed) /s/ James Stovall	Date JUL 11 2007
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.

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 States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

*(Instructions on reverse)

C-144 attached

APPROVAL FOR TWO YEARS

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

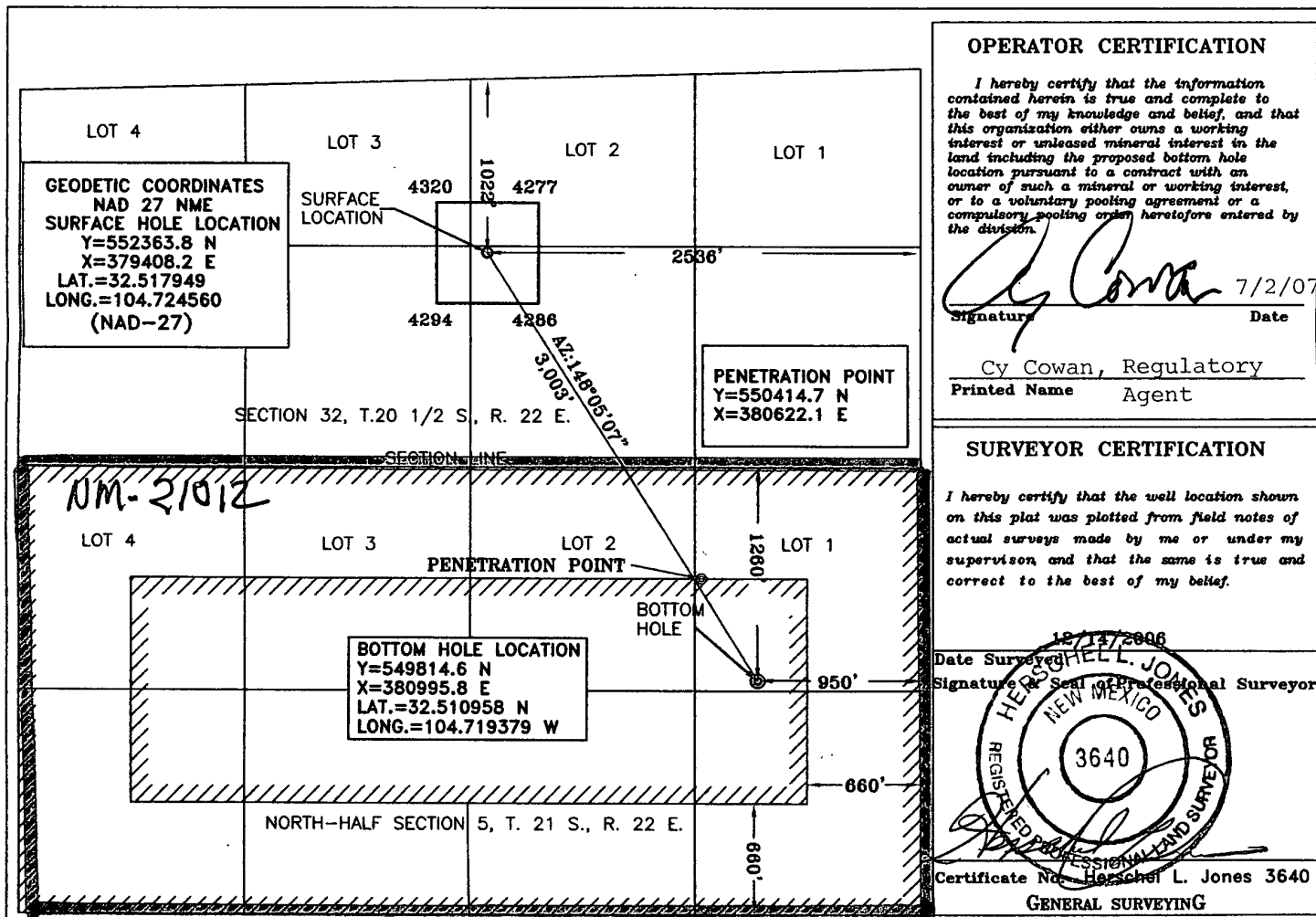
SEE ATTACHED FOR
CONDITIONS OF APPROVAL
CARLSBAD CONTROLLED WATER BASIN

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS
AND SPECIAL STIPULATIONS
ATTACHED

DISTRICT IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

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

Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

☐ AMENDED REPORT

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
OCD-ARTESIAFORM APPROVED
OMB No. 1004-0135
Expires November 30, 2000

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or reenter an abandoned well. Use Form 3160-3 (APD) for such proposals.

SUBMIT IN TRIPLICATE – Other instructions on reverse side

1. Type of Well

☒ Oil Well ☐ Gas Well ☐ Other

2. Name of Operator

Yates Petroleum Corporation

3a. Address

105 South Fourth Street, Artesia, NM 88210

3b. Phone No. (include area code)

(505) 748-1471

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)

1022' FNL and 2536' FEL Section 32, T20.5S-R22E SHL

1260' FNL and 950' FEL Section 5, T21S-R22E BHL

5. Lease Serial No.

NM-21012

6. If Indian, Allottee or Tribe Name

7. If Unit or CA/Agreement, Name and/o

8. Well Name and No.

Federal HQ #3

9. API Well No.

10. Field and Pool, or Exploratory Area

Undes. Little Box Canyon, Morrow

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	Correction of
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> Water Disposal	Survey Plat.

13. Describe Proposed or Completed Operations (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 recompleat horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond 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 recompleat 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.)

A survey plat with the correct legal description of the Bottom Hole Location will be Fax'd to the Carlsbad BLM Office as soon as it becomes available. A hard copy of the plat will be sent also when it becomes available. The correct Bottom Hole Location is 1260' FNL and 950' FEL of Section 5, T21S-R22E.

Thank you.

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

Name (Printed/Typed)

Cy Cowan

Title

Regulatory Agent

Signature

Date

June 25, 2007

THIS SPACE FOR FEDERAL OR STATE USE

Approved by

/s/ James Stovall

Title

FIELD MANAGER

Date

JUL 11 2007

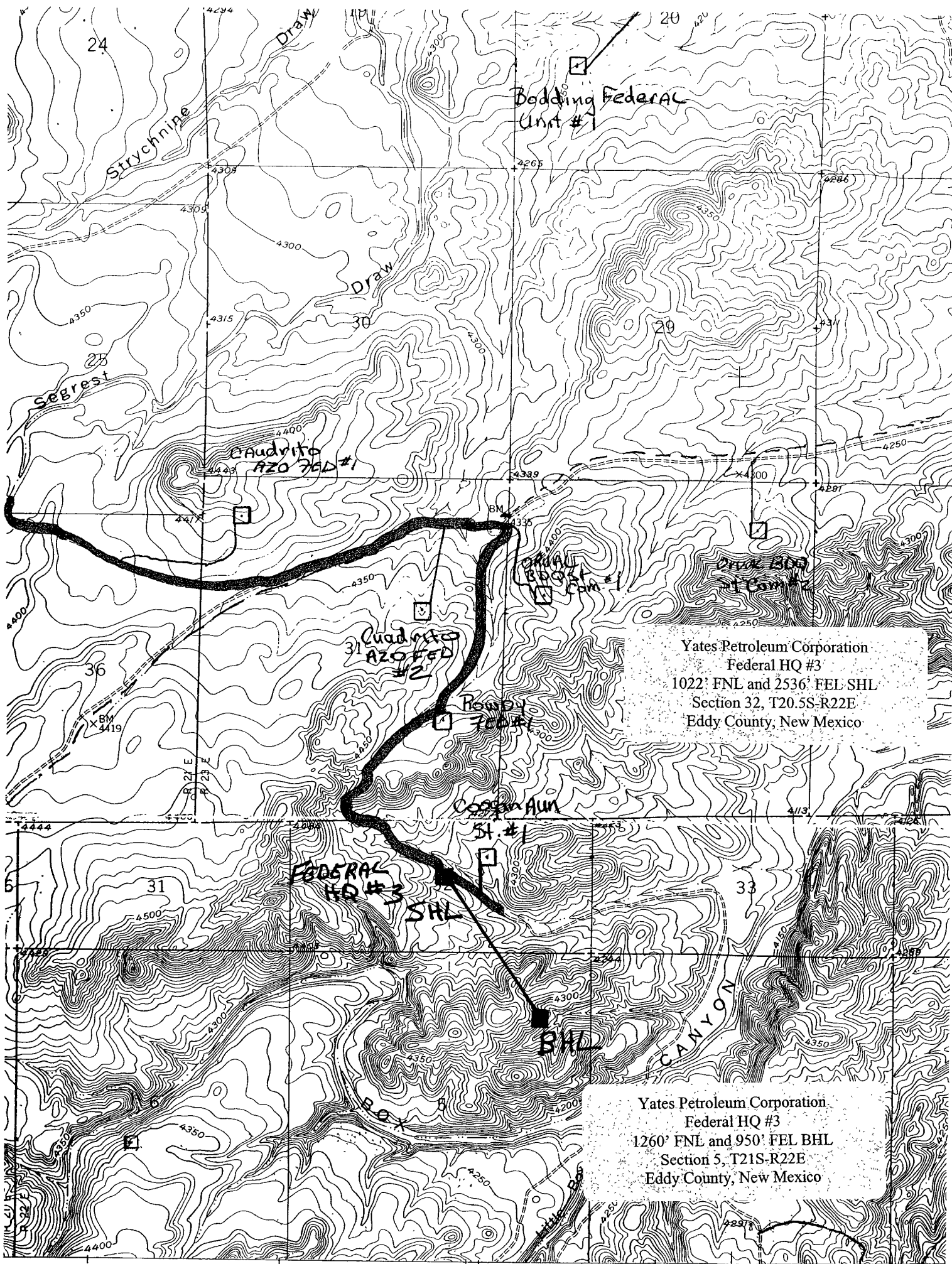
Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

Office

CARLSBAD FIELD OFFICE

Title 18 U.S.C. Section 1001, 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)



Bedding Federal
Unit #1

Caudrillo
AZO #1

Caudrillo
AZO #2

Rowdy

Cosman
St. #1

FEDERAL
HQ #3

SHL

BAD

CANYON

Yates Petroleum Corporation
Federal HQ #3
1022' FNL and 2536' FEL SHL
Section 32, T20.5S-R22E
Eddy County, New Mexico

Yates Petroleum Corporation
Federal HQ #3
1260' FNL and 950' FEL BHL
Section 5, T21S-R22E
Eddy County, New Mexico

YATES PETROLEUM CORPORATION
Federal "HQ" #3
 1022' FNL and 2536' FEL Surface Hole Location
 Section 32, T20.5S-R22E
 1260' FNL and 950' FEL Bottom Hole Location
 Section 5-T21S-R22E
 Eddy County, New Mexico

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

San Andres	425'	Strawn	7385'
Glorieta	2215'	Atoka	8125'
Upper Yeso	2285'	Upper Morrow	8313'
Tubb	3035'	Middle Morrow	8475'
Lower Yeso	3185'	Lower Morrow	8555'
Abo	3685'	Chester	8725'
Wolfcamp	5035'	TVD	8825'
Cisco	6085'	MVD	9577'

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

Water: 150'-215'
 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.

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	0-1500	1500'
8 3/4"	5 1/2"	17#	HCP-110	LT&C	0-9577'	9577' MVD

Yates Petroleum Corporation requests a variance to install a rotating head on the surface casing strings when production 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, Joint Strength 1.8

B. CEMENTING PROGRAM:

Surface casing: 900 sx 'C' Lite (YLD 1.98 WT 12.5). Tail with 200 sx 'C'
(WT 14.8 YLD 1.34)

Production Casing: 1050 sx 'C' Lite (YLD 1.95 WT. 14.8). Tail in with 1450 sx
Super 'C' (WT 13.2 YLD 1.61).

5. MUD PROGRAM AND AUXILIARY EQUIPMENT:

<u>Interval</u>	<u>Type</u>	<u>Weight</u>	<u>Viscosity</u>	<u>Fluid Loss</u>
0-1500'	Freshwater Air Mist	8.4	28	N/C
1500'-8100'	Cut Brine	8.8-9.2	28	N/C
8100'-9577' MVD	Salt Gel/Starch +4-6% KCL	9.5-10.0	34-38	<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 out from under intermediate casing.
Logging: Platform Express/HALS/NET possible FMI.
Coring: Possible Rotary Sidewall Cores.
DST's: Possible from ABO to TD.

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

Anticipated BHP:

From: 0	TO: 1500'	Anticipated Max. BHP: 655	PSI
From: 1500'	TO: 8825' TVD	Anticipated Max. BHP: 4590	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 20 days to drill the well with completion taking another 15 days.

	M.D. [ft]	Inclination [°]	Azimuth [°]	T.V.D. [ft]	N+/S- [ft]	E+/W- [ft]	D.L.S. [°/100ft]	ToolFace [°]	T.F. Ref. [HS/GN]
1	0.00	0.00	0.00	0.00	0.00	0.00	0.00		
2	1550.00	0.00	0.00	1550.00	0.00	0.00	2.00	148	GN
3	1575.00	0.50	148.31	1575.00	-0.09	0.06	2.00	0	HS
4	1600.00	1.00	148.31	1600.00	-0.37	0.23	2.00	360	HS
5	1625.00	1.50	148.31	1624.99	-0.84	0.52	2.00	0	HS
6	1650.00	2.00	148.31	1649.98	-1.49	0.92	2.00	360	HS
7	1675.00	2.50	148.31	1674.96	-2.32	1.43	2.00	0	HS
8	1700.00	3.00	148.31	1699.93	-3.34	2.06	2.00	0	HS
9	1725.00	3.50	148.31	1724.89	-4.55	2.81	2.00	360	HS
10	1750.00	4.00	148.31	1749.84	-5.94	3.67	2.00	0	HS
11	1775.00	4.50	148.31	1774.77	-7.51	4.64	2.00	360	HS
12	1800.00	5.00	148.31	1799.68	-9.28	5.73	2.00	360	HS
13	1825.00	5.50	148.31	1824.58	-11.22	6.93	2.00	360	HS
14	1850.00	6.00	148.31	1849.45	-13.35	8.24	2.00	360	HS
15	1875.00	6.50	148.31	1874.30	-15.67	9.67	2.00	0	HS
16	1900.00	7.00	148.31	1899.13	-18.17	11.22	2.00	360	HS
17	1925.00	7.50	148.31	1923.93	-20.86	12.87	2.00	360	HS
18	1950.00	8.00	148.31	1948.70	-23.72	14.64	2.00	0	HS
19	1975.00	8.50	148.31	1973.44	-26.78	16.53	2.00	360	HS
20	2000.00	9.00	148.31	1998.15	-30.01	18.53	2.00	360	HS
21	2025.00	9.50	148.31	2022.83	-33.43	20.64	2.00	360	HS
22	2050.00	10.00	148.31	2047.47	-37.04	22.86	2.00	360	HS
23	2075.00	10.50	148.31	2072.07	-40.82	25.20	2.00	360	HS
24	2100.00	11.00	148.31	2096.63	-44.79	27.65	2.00	360	HS
25	2125.00	11.50	148.31	2121.15	-48.94	30.21	2.00	360	HS
26	2150.00	12.00	148.31	2145.62	-53.27	32.88	2.00	0	HS
27	2175.00	12.50	148.31	2170.05	-57.79	35.67	2.00	360	HS
28	2200.00	13.00	148.31	2194.44	-62.48	38.57	2.00	360	HS
29	2225.00	13.50	148.31	2218.77	-67.36	41.58	2.00	360	HS
30	2250.00	14.00	148.31	2243.06	-72.41	44.70	2.00	0	HS
31	2275.00	14.50	148.31	2267.29	-77.65	47.93	2.00	0	HS
32	2300.00	15.00	148.31	2291.46	-83.07	51.27	2.00	360	HS
33	2325.00	15.50	148.31	2315.58	-88.66	54.73	2.00	360	HS
34	2350.00	16.00	148.31	2339.64	-94.44	58.29	2.00	360	HS
35	2375.00	16.50	148.31	2363.64	-100.39	61.97	2.00	360	HS
36	2400.00	17.00	148.31	2387.58	-106.52	65.75	2.00	360	HS

	M.D. [ft]	Inclination [°]	Azimuth [°]	T.V.D. [ft]	N+/S- [ft]	E+/W- [ft]	D.L.S. [°/100ft]	ToolFace [°]	T.F. Ref. [HS/GN]
37	2425.00	17.50	148.31	2411.46	-112.83	69.64	2.00	360	HS
38	2450.00	18.00	148.31	2435.27	-119.31	73.65	2.00	360	HS
39	2475.00	18.50	148.31	2459.01	-125.98	77.76	2.00	360	HS
40	2500.00	19.00	148.31	2482.68	-132.81	81.98	2.00	0	HS
41	2525.00	19.50	148.31	2506.29	-139.83	86.31	2.00	360	HS
42	2550.00	20.00	148.31	2529.82	-147.02	90.75	2.00	360	HS
43	2575.00	20.50	148.31	2553.27	-154.38	95.29	2.00	360	HS
44	2600.00	21.00	148.31	2576.65	-161.92	99.94	2.00	360	HS
45	2625.00	21.50	148.31	2599.95	-169.63	104.70	2.00	0	HS
46	2650.00	22.00	148.31	2623.17	-177.51	109.57	2.00	360	HS
47	2675.00	22.50	148.31	2646.31	-185.56	114.54	2.00	0	HS
48	2700.00	23.00	148.31	2669.36	-193.79	119.62	2.00	360	HS
49	2725.00	23.50	148.31	2692.33	-202.19	124.80	2.00	360	HS
50	2750.00	24.00	148.31	2715.22	-210.76	130.09	2.00	360	HS
51	2775.00	24.50	148.31	2738.01	-219.49	135.49	2.00	360	HS
52	2800.00	25.00	148.31	2760.71	-228.40	140.98	2.00	360	HS
53	2825.00	25.50	148.31	2783.32	-237.48	146.58	2.00	360	HS
54	2850.00	26.00	148.31	2805.84	-246.72	152.29	2.00	0	HS
55	2875.00	26.50	148.31	2828.26	-256.13	158.10	2.00	360	HS
56	2900.00	27.00	148.31	2850.59	-265.70	164.01	2.00	360	HS
57	2925.00	27.50	148.31	2872.81	-275.44	170.02	2.00	360	HS
58	2950.00	28.00	148.31	2894.94	-285.35	176.13	2.00	360	HS
59	2975.00	28.50	148.31	2916.96	-295.42	182.35	2.00	360	HS
60	3000.00	29.00	148.31	2938.88	-305.65	188.66	2.00	0	HS
61	3025.00	29.50	148.31	2960.69	-316.04	195.08	2.00	0	HS
62	3050.00	30.00	148.31	2982.40	-326.60	201.60	2.00	360	HS
63	3075.00	30.50	148.31	3003.99	-337.32	208.21	2.00	360	HS
64	3100.00	31.00	148.31	3025.48	-348.19	214.93	2.00	360	HS
65	3125.00	31.50	148.31	3046.85	-359.23	221.74	2.00	0	HS
66	3146.31	31.93	148.31	3064.98	-368.76	227.62	0.00		
67	6704.60	31.93	148.31	6085.00	-1970.00	1216.00	0.00		
68	6704.60	31.93	148.31	6085.00	-1970.00	1216.00	1.23	180	HS
69	6725.00	31.68	148.31	6102.34	-1979.15	1221.65	1.23	180	HS
70	6750.00	31.37	148.32	6123.65	-1990.27	1228.51	1.23	180	HS
71	6775.00	31.06	148.32	6145.03	-2001.30	1235.32	1.23	180	HS
72	6800.00	30.75	148.32	6166.48	-2012.22	1242.06	1.23	180	HS

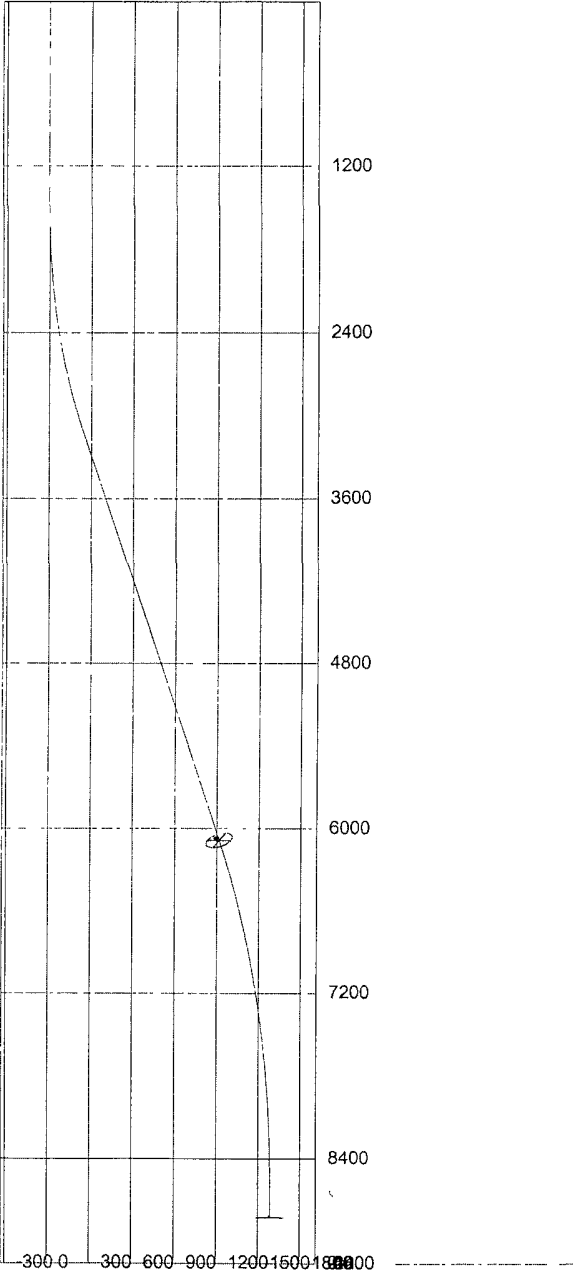
	M.D. [ft]	Inclination [°]	Azimuth [°]	T.V.D. [ft]	N+/S- [ft]	E+/W- [ft]	D.L.S. [°/100ft]	ToolFace [°]	T.F. Ref. [HS/GN]
73	6825.00	30.45	148.32	6188.00	-2023.05	1248.75	1.23	180	HS
74	6850.00	30.14	148.32	6209.59	-2033.78	1255.37	1.23	180	HS
75	6875.00	29.83	148.32	6231.24	-2044.42	1261.93	1.23	180	HS
76	6900.00	29.52	148.32	6252.96	-2054.95	1268.43	1.23	180	HS
77	6925.00	29.21	148.32	6274.75	-2065.38	1274.87	1.23	180	HS
78	6950.00	28.91	148.32	6296.60	-2075.71	1281.25	1.23	180	HS
79	6975.00	28.60	148.32	6318.52	-2085.95	1287.57	1.23	180	HS
80	7000.00	28.29	148.32	6340.50	-2096.08	1293.82	1.23	180	HS
81	7025.00	27.98	148.32	6362.55	-2106.12	1300.01	1.23	180	HS
82	7050.00	27.68	148.32	6384.66	-2116.05	1306.14	1.23	180	HS
83	7075.00	27.37	148.32	6406.83	-2125.88	1312.21	1.23	180	HS
84	7100.00	27.06	148.32	6429.06	-2135.61	1318.22	1.23	180	HS
85	7125.00	26.75	148.32	6451.35	-2145.24	1324.16	1.23	180	HS
86	7150.00	26.45	148.32	6473.71	-2154.76	1330.04	1.23	180	HS
87	7175.00	26.14	148.32	6496.12	-2164.19	1335.85	1.23	180	HS
88	7200.00	25.83	148.32	6518.59	-2173.51	1341.61	1.23	180	HS
89	7225.00	25.52	148.32	6541.12	-2182.73	1347.30	1.23	180	HS
90	7250.00	25.22	148.32	6563.71	-2191.84	1352.92	1.23	180	HS
91	7275.00	24.91	148.32	6586.36	-2200.85	1358.48	1.23	180	HS
92	7300.00	24.60	148.32	6609.06	-2209.76	1363.98	1.23	180	HS
93	7325.00	24.29	148.32	6631.82	-2218.57	1369.41	1.23	180	HS
94	7350.00	23.99	148.32	6654.63	-2227.27	1374.78	1.23	180	HS
95	7375.00	23.68	148.32	6677.50	-2235.87	1380.09	1.23	180	HS
96	7400.00	23.37	148.32	6700.42	-2244.36	1385.33	1.23	180	HS
97	7425.00	23.06	148.32	6723.40	-2252.75	1390.50	1.23	180	HS
98	7450.00	22.76	148.32	6746.43	-2261.03	1395.62	1.23	180	HS
99	7475.00	22.45	148.32	6769.51	-2269.21	1400.66	1.23	180	HS
100	7500.00	22.14	148.32	6792.64	-2277.28	1405.64	1.23	180	HS
101	7525.00	21.83	148.32	6815.82	-2285.24	1410.56	1.23	180	HS
102	7550.00	21.53	148.32	6839.05	-2293.10	1415.41	1.23	180	HS
103	7575.00	21.22	148.33	6862.33	-2300.86	1420.19	1.23	180	HS
104	7600.00	20.91	148.33	6885.66	-2308.50	1424.91	1.23	180	HS
105	7625.00	20.60	148.33	6909.04	-2316.04	1429.56	1.23	180	HS
106	7650.00	20.30	148.33	6932.46	-2323.48	1434.15	1.23	180	HS
107	7675.00	19.99	148.33	6955.93	-2330.80	1438.67	1.23	180	HS
108	7700.00	19.68	148.33	6979.45	-2338.02	1443.12	1.23	180	HS

	M.D. [ft]	Inclination [°]	Azimuth [°]	T.V.D. [ft]	N+/S- [ft]	E+/W- [ft]	D.L.S. [°/100ft]	ToolFace [°]	T.F. Ref. [HS/GN]
109	7725.00	19.37	148.33	7003.01	-2345.14	1447.51	1.23	180	HS
110	7750.00	19.07	148.33	7026.62	-2352.14	1451.83	1.23	180	HS
111	7775.00	18.76	148.33	7050.27	-2359.04	1456.08	1.23	180	HS
112	7800.00	18.45	148.33	7073.96	-2365.82	1460.27	1.23	180	HS
113	7825.00	18.14	148.33	7097.70	-2372.50	1464.39	1.23	180	HS
114	7850.00	17.84	148.33	7121.48	-2379.08	1468.45	1.23	180	HS
115	7875.00	17.53	148.33	7145.29	-2385.54	1472.43	1.23	180	HS
116	7900.00	17.22	148.33	7169.15	-2391.89	1476.35	1.23	180	HS
117	7925.00	16.91	148.33	7193.05	-2398.14	1480.20	1.23	180	HS
118	7950.00	16.61	148.33	7216.99	-2404.27	1483.99	1.23	180	HS
119	7975.00	16.30	148.33	7240.97	-2410.30	1487.71	1.23	180	HS
120	8000.00	15.99	148.34	7264.98	-2416.21	1491.36	1.23	180	HS
121	8025.00	15.68	148.34	7289.03	-2422.02	1494.94	1.23	180	HS
122	8050.00	15.38	148.34	7313.12	-2427.72	1498.45	1.23	180	HS
123	8075.00	15.07	148.34	7337.24	-2433.31	1501.90	1.23	180	HS
124	8100.00	14.76	148.34	7361.40	-2438.78	1505.27	1.23	180	HS
125	8125.00	14.45	148.34	7385.59	-2444.15	1508.58	1.23	180	HS
126	8150.00	14.15	148.34	7409.82	-2449.40	1511.82	1.23	180	HS
127	8175.00	13.84	148.34	7434.08	-2454.55	1515.00	1.23	180	HS
128	8200.00	13.53	148.34	7458.37	-2459.58	1518.10	1.23	180	HS
129	8225.00	13.22	148.34	7482.69	-2464.51	1521.14	1.23	180	HS
130	8250.00	12.92	148.34	7507.04	-2469.32	1524.10	1.23	180	HS
131	8275.00	12.61	148.35	7531.42	-2474.02	1527.00	1.23	180	HS
132	8300.00	12.30	148.35	7555.83	-2478.61	1529.83	1.23	180	HS
133	8325.00	11.99	148.35	7580.28	-2483.09	1532.59	1.23	180	HS
134	8350.00	11.69	148.35	7604.74	-2487.45	1535.28	1.23	180	HS
135	8375.00	11.38	148.35	7629.24	-2491.71	1537.90	1.23	180	HS
136	8400.00	11.07	148.35	7653.76	-2495.85	1540.46	1.23	180	HS
137	8425.00	10.76	148.35	7678.31	-2499.88	1542.94	1.23	180	HS
138	8450.00	10.45	148.36	7702.88	-2503.80	1545.36	1.23	180	HS
139	8475.00	10.15	148.36	7727.48	-2507.60	1547.70	1.23	180	HS
140	8500.00	9.84	148.36	7752.10	-2511.30	1549.98	1.23	180	HS
141	8525.00	9.53	148.36	7776.74	-2514.88	1552.18	1.23	180	HS
142	8550.00	9.22	148.36	7801.41	-2518.35	1554.32	1.23	180	HS
143	8575.00	8.92	148.37	7826.09	-2521.70	1556.39	1.23	180	HS
144	8600.00	8.61	148.37	7850.80	-2524.95	1558.39	1.23	180	HS

	M.D. [ft]	Inclination [°]	Azimuth [°]	T.V.D. [ft]	N+/S- [ft]	E+/W- [ft]	D.L.S. [°/100ft]	ToolFace [°]	T.F. Ref. [HS/GN]
145	8625.00	8.30	148.37	7875.53	-2528.07	1560.31	1.23	180	HS
146	8650.00	7.99	148.37	7900.28	-2531.09	1562.17	1.23	180	HS
147	8675.00	7.69	148.38	7925.04	-2534.00	1563.96	1.23	180	HS
148	8700.00	7.38	148.38	7949.83	-2536.79	1565.68	1.23	180	HS
149	8725.00	7.07	148.38	7974.63	-2539.46	1567.33	1.23	180	HS
150	8750.00	6.76	148.39	7999.45	-2542.03	1568.91	1.23	180	HS
151	8775.00	6.46	148.39	8024.28	-2544.48	1570.41	1.23	180	HS
152	8800.00	6.15	148.40	8049.13	-2546.82	1571.85	1.23	180	HS
153	8825.00	5.84	148.40	8073.99	-2549.04	1573.22	1.23	180	HS
154	8850.00	5.53	148.41	8098.87	-2551.15	1574.52	1.23	180	HS
155	8875.00	5.23	148.42	8123.76	-2553.15	1575.75	1.23	180	HS
156	8900.00	4.92	148.42	8148.66	-2555.03	1576.90	1.23	180	HS
157	8925.00	4.61	148.43	8173.58	-2556.80	1577.99	1.23	180	HS
158	8950.00	4.30	148.44	8198.50	-2558.46	1579.01	1.23	180	HS
159	8975.00	4.00	148.45	8223.44	-2560.00	1579.96	1.23	180	HS
160	9000.00	3.69	148.46	8248.38	-2561.43	1580.83	1.23	180	HS
161	9025.00	3.38	148.48	8273.33	-2562.74	1581.64	1.23	180	HS
162	9050.00	3.07	148.50	8298.29	-2563.94	1582.37	1.23	180	HS
163	9075.00	2.77	148.52	8323.26	-2565.03	1583.04	1.23	180	HS
164	9100.00	2.46	148.55	8348.23	-2566.00	1583.63	1.23	180	HS
165	9125.00	2.15	148.58	8373.21	-2566.86	1584.16	1.23	180	HS
166	9150.00	1.84	148.63	8398.20	-2567.60	1584.61	1.23	180	HS
167	9175.00	1.54	148.70	8423.19	-2568.23	1585.00	1.23	180	HS
168	9200.00	1.23	148.80	8448.18	-2568.75	1585.31	1.23	179	HS
169	9225.00	0.92	148.97	8473.18	-2569.15	1585.55	1.23	179	HS
170	9250.00	0.61	149.30	8498.17	-2569.44	1585.72	1.23	179	HS
171	9275.00	0.31	150.31	8523.17	-2569.61	1585.83	1.23	178	HS
172	9293.91	0.07	156.64	8542.09	-2569.66	1585.86	0.00		
173	9576.83	0.07	156.64	8825.00	-2570.00	1586.00	0.00		

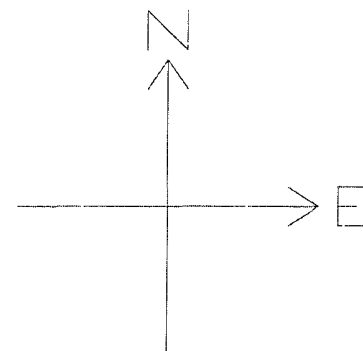
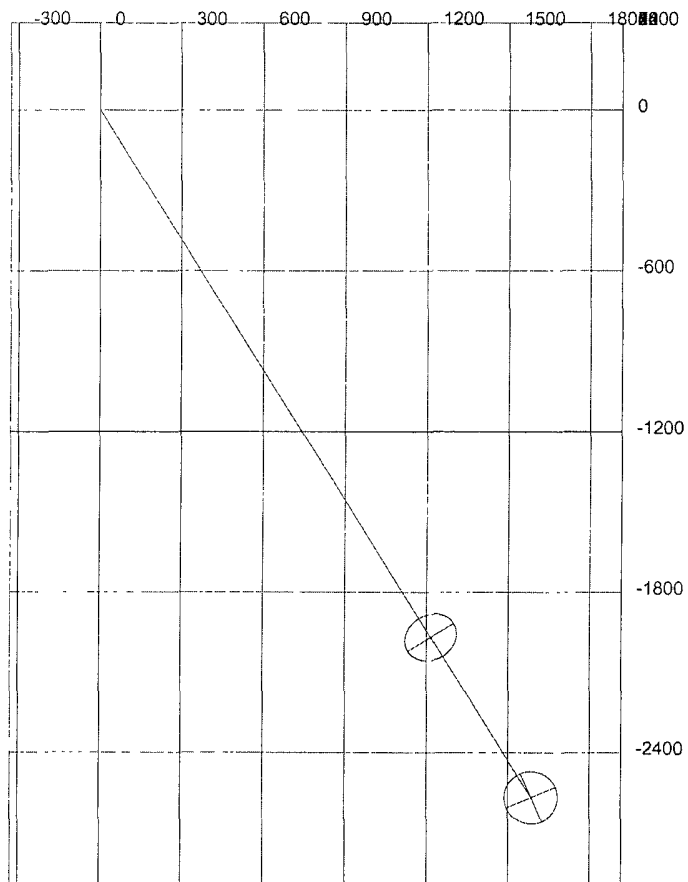
3D³ Directional Drilling Planner - 3D View

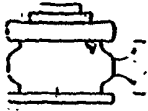
Company: Yates Petroleum Corporation
Well: Federal HQ #3



3D³ Directional Drilling Planner - 3D View

Company: Yates Petroleum Corporation
Well: Federal HQ #3





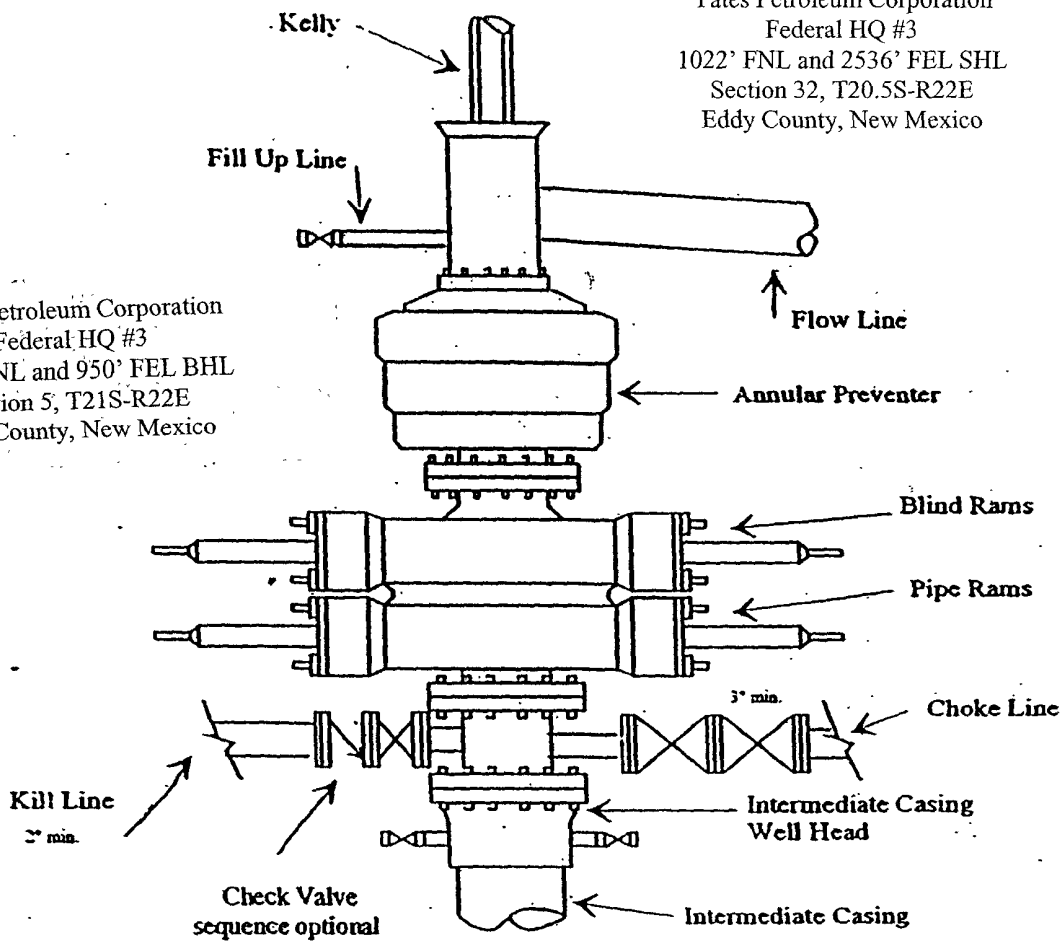
Yates Petroleum Corporation

BOP-3

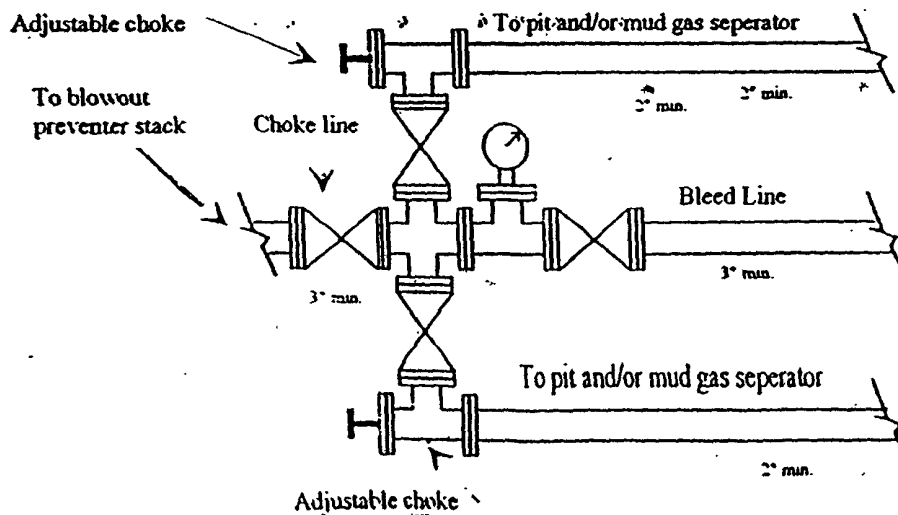
Typical 3,000 psi Pressure System Schematic Annular with Double Ram Preventer Stack

Yates Petroleum Corporation
Federal HQ #3
1022' FNL and 2536' FEL SHL
Section 32, T20.5S-R22E
Eddy County, New Mexico

Yates Petroleum Corporation
Federal HQ #3
1260' FNL and 950' FEL BHL
Section 5, T21S-R22E
Eddy County, New Mexico



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



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

Federal "HQ" #3

1022' FNL and 2536' FEL Surface Hole Location

Section 32, T20.5S-R22E

~~4200'~~ FNL and 950' FEL Bottom Hole Location

1260' Section 5-T21S-R22E

7/3/07 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 45 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. Turn West on Rock Daisy Road and go Approximately 20 miles to CR-400 (Armstrong Road). Turn left on CR-400 and go approx. 4.9 miles. Turn left here on lease road and go approximately 2.3 miles to a cattleguard and a lease road going going to the right. Turn right here and follow the lease road for approximately .6 of a mile to Nadel and Guzeman's Rowdy Federal #1 well. Continue following lease road south for approximately .9 of a mile. The well location will be on the lease road at this point.

2. PLANNED ACCESS ROAD:

- A. There will not be any new access road as the location will be on existing lease road. See attached map.
- B. The existing lease road is 14 feet in width (driving surface) and will be adequately drained to control runoff and soil erosion.
- C. The existing road is bladed with and has drainage on one side. Some traffic turnouts have been built.
- D. The route of the road is visible.
- E. The existing road 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 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 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.
- 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 after they have evaporated and dried.

11. SURFACE OWNERSHIP: Federal Surface, Administered by 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>Pinson McWhorter,
Operations Manager
Yates Petroleum Corporation
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 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.

5/10/07


Regulatory Agent

CONDITIONS OF APPROVAL - DRILLING

Operator's Name: Yates Petroleum Corporation
Well Name & No. 3-Federal HQ
Location (SHL): 1022' FNL, 2536' FEL, Sec. 32, T-20.5-S, R-22-E, Eddy County, NM
Location (BHL): 1260' FNL, 0950' FEL, Sec. 5, T-21-S, R-22-E, Eddy County, NM
Lease: NM-21012

.....

I. DRILLING OPERATIONS REQUIREMENTS:

- A. The Bureau of Land Management (BLM) is to be notified a minimum of 4 hours in advance for a representative to witness:
1. Spudding well
 2. Setting and/or Cementing of all casing strings
 3. BOPE tests
- Eddy County call the Carlsbad Field Office, 620 East Greene St., Carlsbad, NM 88220, (505) 361-2822
- B. Although Hydrogen Sulfide has not been reported in this section, it has been reported in the Township to the east. It is recommended that monitoring equipment be available and if Hydrogen Sulfide is detected, please forward the reports to BLM.
- C. 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.
- D. If floor controls are required, (3M or Greater) controls will be on the rig floor, unobstructed, readily accessible to the driller and will be operational at all times during drilling and/or completion activities. Rig floor is defined as the area immediately around the rotary table; the area immediately above the substructure on which the draw works are located, this does not include the dog house or stairway area.

II. CASING:

- A. The 9-5/8 inch surface casing shall be set at 1500 feet and cemented to the surface.
1. If cement does not circulate to the surface, the appropriate BLM office shall be notified and a temperature survey utilizing an electronic type temperature survey with a surface log readout will be used or a cement bond log shall be run to verify the top of the cement.
 2. Wait on cement (WOC) time for a primary cement job will be a minimum of 12 hours for a non-water basin, 18 hours for a water basin, 24 hours in the potash area, or 500 pounds compression strength, whichever is greater. (This is to include the lead cement)
 3. Wait on cement (WOC) time for a remedial job will be a minimum of 4 hours after bringing cement to surface or 500 pounds compression strength, whichever is greater.
 4. If cement falls back, remedial action will be done prior to drilling out that string.

Possible lost circulation in the San Andres, Wolfcamp and Strawn formations.
Possible high pressure gas bursts in the Wolfcamp formation.
Pennsylvanian sections may be over pressured.

C. The minimum required fill of cement behind the 5-1/2 inch production casing is **cement shall extend a minimum of 200' into the intermediate casing.**

D. If hardband drill pipe is rotated inside casing; returns will be monitored for metal. If metal is found in samples, drill pipe will be pulled and rubber protectors which have a larger diameter than the tool I joints of the drill pipe will be installed prior to continuing drilling operations.

III. PRESSURE CONTROL:

A. All blowout preventer (BOP) and related equipment (BOPE) shall comply with well control requirements as described in Onshore Oil and Gas Order No. 2 and API RP 53.

B. Minimum working pressure of the blowout preventer (BOP) and related equipment (BOPE) required for drilling below the surface casing shoe shall be **3000 (3M) PSI.**

C. The appropriate BLM office shall be notified a minimum of 4 hours in advance for a representative to witness the tests.

1. The tests shall be done by an independent service company.
2. The results of the test shall be reported to the appropriate BLM office.
3. All tests are required to be recorded on a calibrated test chart. A copy of the BOP/BOPE test chart and a copy of independent service company test will be submitted to the appropriate BLM office.
4. The BOP/BOPE test shall include a low pressure test from 250 to 300 psi in accordance with API RP 53. The test will be held for a minimum of 10 minutes if test is done with a test plug and 30 minutes without a test plug.
5. BOP/BOPE must be tested by an independent service company within 500 feet of the top of the Wolfcamp (formation). This test does not exclude the test prior to drilling out the casing shoe as per Onshore Order No. 2.

IV. DRILLING MUD:

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.

1. Recording pit level indicator to indicate volume gains and losses.
2. Mud-measuring device for accurately determining the mud volumes necessary to fill the hole during trips.
3. Flow-sensor on the flow line to warn of abnormal mud returns from the well

IV. Testing

If a drill stem test is performed, the conditions in Onshore Order 2.III.D are in effect.

Engineer on call phone: 505-706-2779

WWI 052907