

N.M. Oil Cons. DIV-Dist. 2
1301 W. Grand Avenue
Artesia, NM 88210

Form 3160-3
(April 2004)



UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
APPLICATION FOR PERMIT TO DRILL OR REENTER

AUG 06 2007

OCD-ARTESIA

FORM APPROVED
OMB NO. 1004-0137
Expires: March 31, 2007

1a Type of Work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. NM-25866
1b Type of Well: <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other <input type="checkbox"/> Single Zone <input checked="" type="checkbox"/> Multiple Zone		6. If Indian, Allottee or Tribe Name n/a
2. Name of Operator Yates Petroleum Corporation 25575		7. If Unit or CA Agreement, Name and No. n/a
3a. Address 105 South Fourth Street, Artesia New Mexico 88210	3b. Phone No. (include area code) (505) 748-1471	8. Lease Name and Well No. Buder ACN Federal #4 12076
4. Location of well (Report location clearly and in accordance with any State requirements. *) At surface 1980' FSL and 1080' FEL, Unit J, NESE At proposed prod zone same as above		9. API Well No. 30-005-63968
14. Distance in miles and direction from the nearest town or post office*		10. Field and Pool, or Exploratory Wildcat Granite
15. Distance from proposed* location to nearest property or lease line, ft (Also to nearest drlg. unit line, if any)		11. Sec., T., R., M., or Blk. And Survey or Area Section 22, T6S-R26E, Mer NMP
16. No. of acres in lease		12. County or Parish Chaves County
17. Spacing Unit dedicated to this well 320 - S/2		13. State NM
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft		20. BLM/ BIA Bond No. on file NATIONWIDE BOND #NMB000434
21. Elevations (Show whether DF RT, GR, etc.) 3760' GL		22. Aproximate date work will start* ASAP
23. Estimated duration 30 Days		

24. Attachments

ROSWELL 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

- Well plat certified by a registered surveyor.
- A Drilling Plan.
- A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office).
- Bond to cover the operations unless covered by existing bond on file (see item 20 above).
- Operator certification.
- Such other site specific information and/ or plans as may be required by the authorized officer.

25. Signature	Name (Printed/ Typed) Debbie L. Caffall	Date 7/17/2007
Title Regulatory Agent		
Approved By (Signature) /s/ Angel Mayes	Name (Printed/ Typed) /s/ Angel Mayes	Date AUG 03 2007
Title Assistant Field Manager, Lands And Minerals		Office ROSWELL 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 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 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 page 2)

DECLARED WATER BASIN

APPROVED FOR 2 YEARS

CEMENT BEHIND THE 11 3/4" CASING MUST BE CIRCULATED

WITNESS

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

16				<div data-bbox="1031 991 1497 1487"><p>17 OPERATOR CERTIFICATION</p><p><i>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division</i></p><div data-bbox="1031 1236 1497 1321"><div><i>Debbie L. Caffall</i></div><div>7/17/07</div></div><div data-bbox="1031 1321 1497 1357"><div>Signature</div><div>Date</div></div><div data-bbox="1031 1357 1497 1391"><div>Debbie L. Caffall</div><div>Printed Name</div></div><div data-bbox="1031 1391 1497 1427"><div>Regulatory Agent</div><div>Title</div></div></div>
	NM-25866		<div data-bbox="807 1566 1019 1606">1080'</div> <div data-bbox="777 1776 807 1866">1980'</div>	<div data-bbox="1031 1487 1497 1968"><p>18 SURVEYOR CERTIFICATION</p><p><i>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.</i></p><div data-bbox="1031 1717 1497 1747"><div>Date of Survey</div></div><div data-bbox="1031 1747 1497 1781"><div>Signature and Seal of Professional Surveyor:</div></div><div data-bbox="1031 1781 1497 1817"><div>REFER TO ORIGINAL PLAT</div></div><div data-bbox="1031 1925 1497 1962"><div>Certificate Number</div></div></div>

☐ AMENDED REPORT

0 330' 660' 990' 1650' 1980' 2310' 2310' 1980' 1650' 990' 660' 330' 0

YATES PETROLEUM CORPORATION
Buder ACN Federal #4
 1980' FSL and 1080' FEL
 Section 22, T6S-R26E
 Chaves County, New Mexico

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

San Andres	810'	Spear Zone	4955'
Glorietta	1760'	Cisco	5220'
Yeso	1875'	Strawn	5435'
Tubb	3300'	Siluro-Devonian	5565'
Abo	3940'	Precambrian	5640'
Wolfcamp	4635'	TD	5790'

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

Water: 150'-300'
 Oil or Gas: Queen Formation.

3. Pressure Control Equipment: BOPE will be installed on the 11 3/4" casing and rated for 2000 BOP systems will be consistent with API RP 53. Pressure tests will be conducted before drilling out from under all casing strings which are set and cemented in place. Blowout Preventor controls will be installed prior to drilling the surface plug and will remain in use until the well is completed or abandoned. Preventors will be inspected and operated at least daily to ensure good mechanical working order, and this inspection recorded on the daily drilling report. See Exhibit B.

Auxiliary Equipment:

- A. Auxiliary Equipment: Kelly cock, pit level indicators, flow sensor equipment and a sub with full opening valve to fit the drill pipe and collars will be available on the rig floor in the open position at all times for use when kelly is not in use.

4. THE PROPOSED CASING AND CEMENTING PROGRAM:

- A. Casing Program: (All New)

<u>Hole Size</u>	<u>Casing Size</u>	<u>Wt./Ft</u>	<u>Grade</u>	<u>Coupling</u>	<u>Interval</u>
14 3/4"	11 3/4"	42#	H-40	ST&C	0-950'
11	*8 5/8"	24#	J-55	ST&C	0-1700'
7 7/8"	5 1/2"	15.5#	J-55	ST&C	0-5790'

* - 8 5/8" will only be set if lost circulation is encountered.

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

B. CEMENTING PROGRAM:

Surface Casing: 350 sx Lite "C" (YLD 2.0 WT 12.5). Tail w/200 sx
C w/2% CaCL₂ (YLD 1.33 WT 15.6)- Surface

Intermediate Casing: 250 sx Class C + 2% CaCLW (YLD 1.32 WT 14.8)-

*Only set if necessary

Production Casing: 600 sx Pecos Valley Lite (YLD 1.34 WT 13.0).

500' above ABO

5. MUD PROGRAM AND AUXILIARY EQUIPMENT:

<u>Interval</u>	<u>Type</u>	<u>Weight</u>	<u>Viscosity</u>	<u>Fluid Loss</u>
0-950'	FW Gel/Paper/LCM	8.6 - 9.0	30-34	N/C
950'-1700'	Cut Brine	8.4 - 9.0	28	N/C
1700'-3850'	Brine	9.4 - 10.2	28	N/C
3850'-5790'	Starch/Salt Gel	9.3 - 10.0	40 - 50	<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' samples out from under surface casing.

Logging: CNL/LDT, W/NGT TD-Surf csg; CNL/GR-TD Surf csg;
DLL/MSFL TD to Surf csg. BHC Sonic TD-Surf csg;
FMI-TD-Top of Wolfcamp.

Coring: Sidewall

DST's: None.

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

Anticipated BHP:

From: 0	TO: 950'	Anticipated Max. BHP: 450 PSI
From: 950'	TO: 5790'	Anticipated Max. BHP: 2200 PSI

Abnormal Pressures Anticipated: None

Lost Circulation Zones Anticipated: None.

H₂S Zones Anticipated: None Anticipated

Maximum Bottom Hole Temperature: 110 F

8. ANTICIPATED STARTING DATE:

Plans are to drill this well as soon as possible after receiving approval. It should take approximately 10 days to drill the well with completion taking another 20 days.

MULTI-POINT SURFACE USE AND OPERATIONS PLAN

Buder ACN Federal #4
1980' FSL and 1080' FEL
Section 22, T6S-R26E
Chaves 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 30 miles east of Roswell, New Mexico and the access route to the location is indicated in red and green on Exhibit A.

DIRECTIONS:

Drive NE of Roswell on Hwy 70 approx. 14 miles to Aztec road. Turn left on Aztec and drive approx. 9.5 miles where road curves east, follow road approx. 0.9 of a mile where it turns north at Galleta "YT" St. #1 location. Stay on this road for approx. 4.1 miles. Turn left right before cattle guard with sign "Private Access Road". Follow road along fence line for approx. 0.2 of a mile where road forks. Take left 2-track and follow this road approx. 1.0 mile where the access is staked on the left (south) side going south to the SE corner of the location.

2. PLANNED ACCESS ROAD:

- A. The proposed new access will be approximately 900' in length from the point of origin to the southeast corner of the drilling pad. The road will lie in a southerly 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. Existing roads will be maintained in the same or better condition.

3. LOCATION OF EXISTING WELL:

- A. There is drilling activity within a one-mile radius of the wellsite.
- B. Exhibit D shows existing wells within a one-mile radius of the proposed wellsite.

4. LOCATION OF EXISTING AND/OR PROPOSED FACILITIES:

- A. There are 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 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: Bureau of Land Management, Roswell, NM.

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.

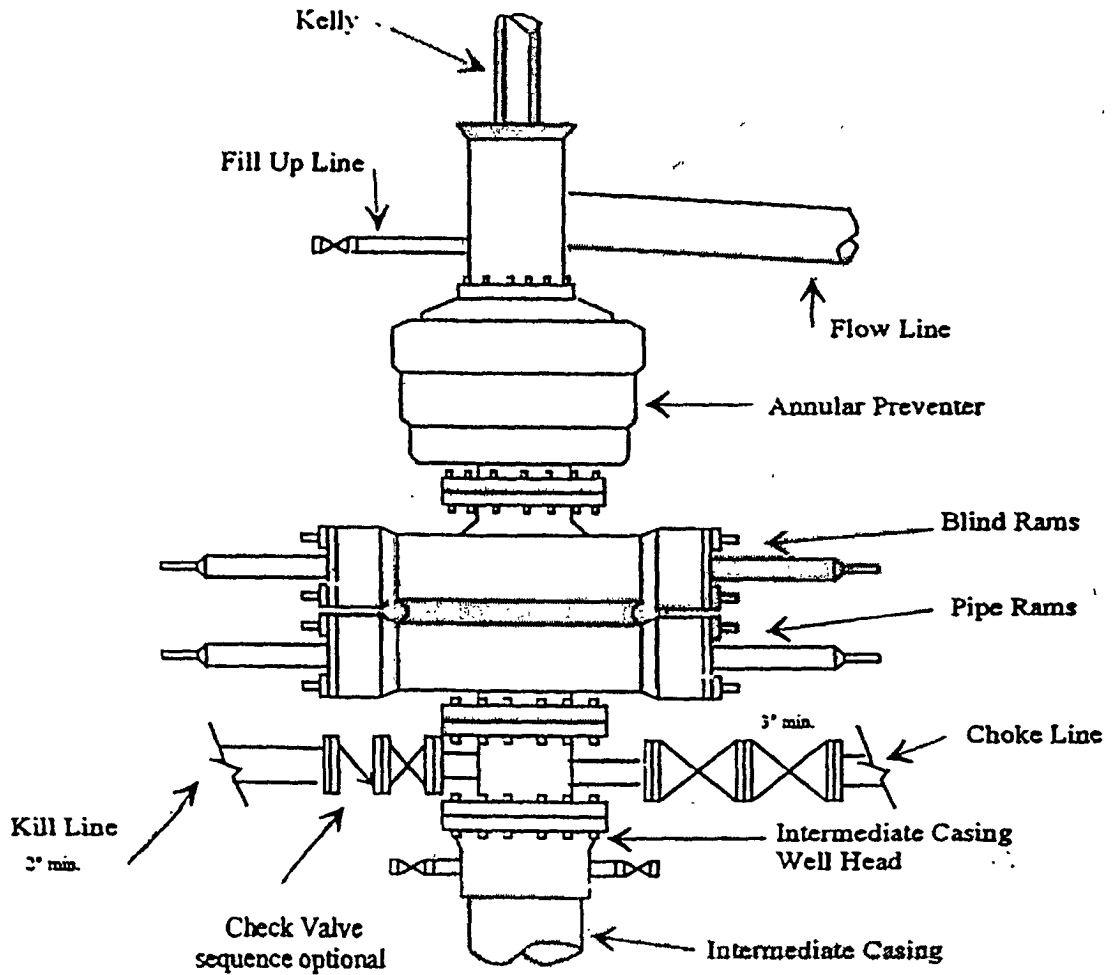
13. OPERATOR'S REPRESENTATIVE:

- | | |
|---|--|
| A. Through A.P.D. Approval:
Debbie L. Caffall, Regulatory Agent
Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210
Phone (505) 748-1471 | B. Through Drilling, Completions & Prod.
Ray Stall, Operations Manager
Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210
Phone (505) 748-1471 |
|---|--|

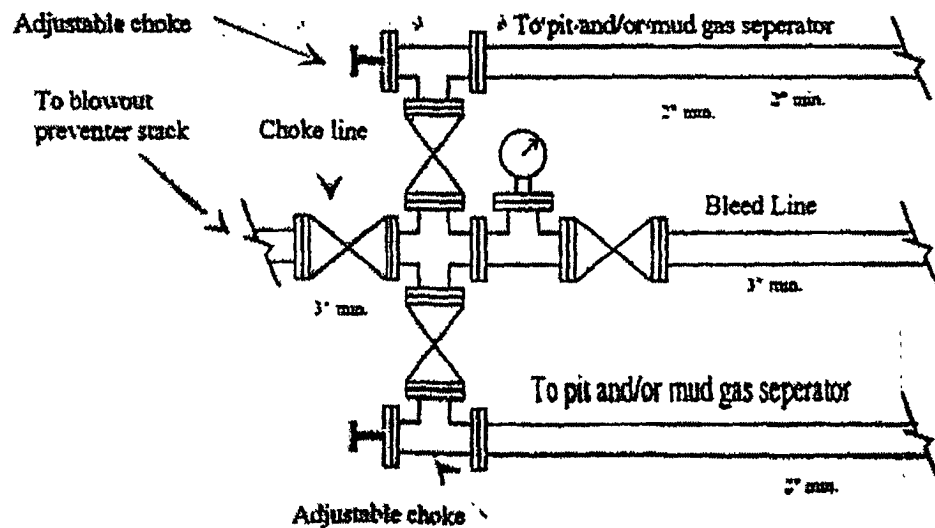
Yates Petroleum Corporation

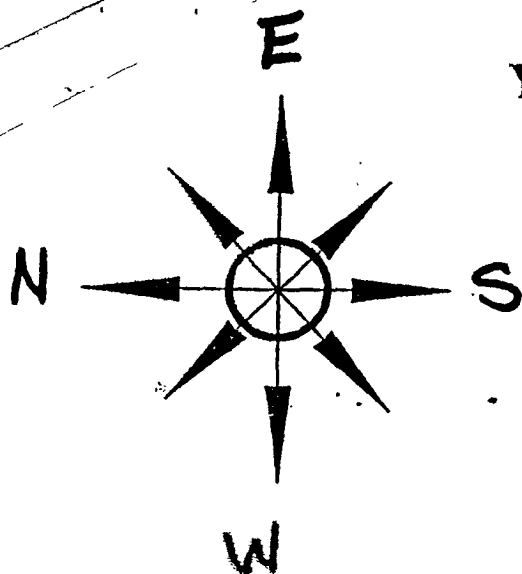
BOP-3

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



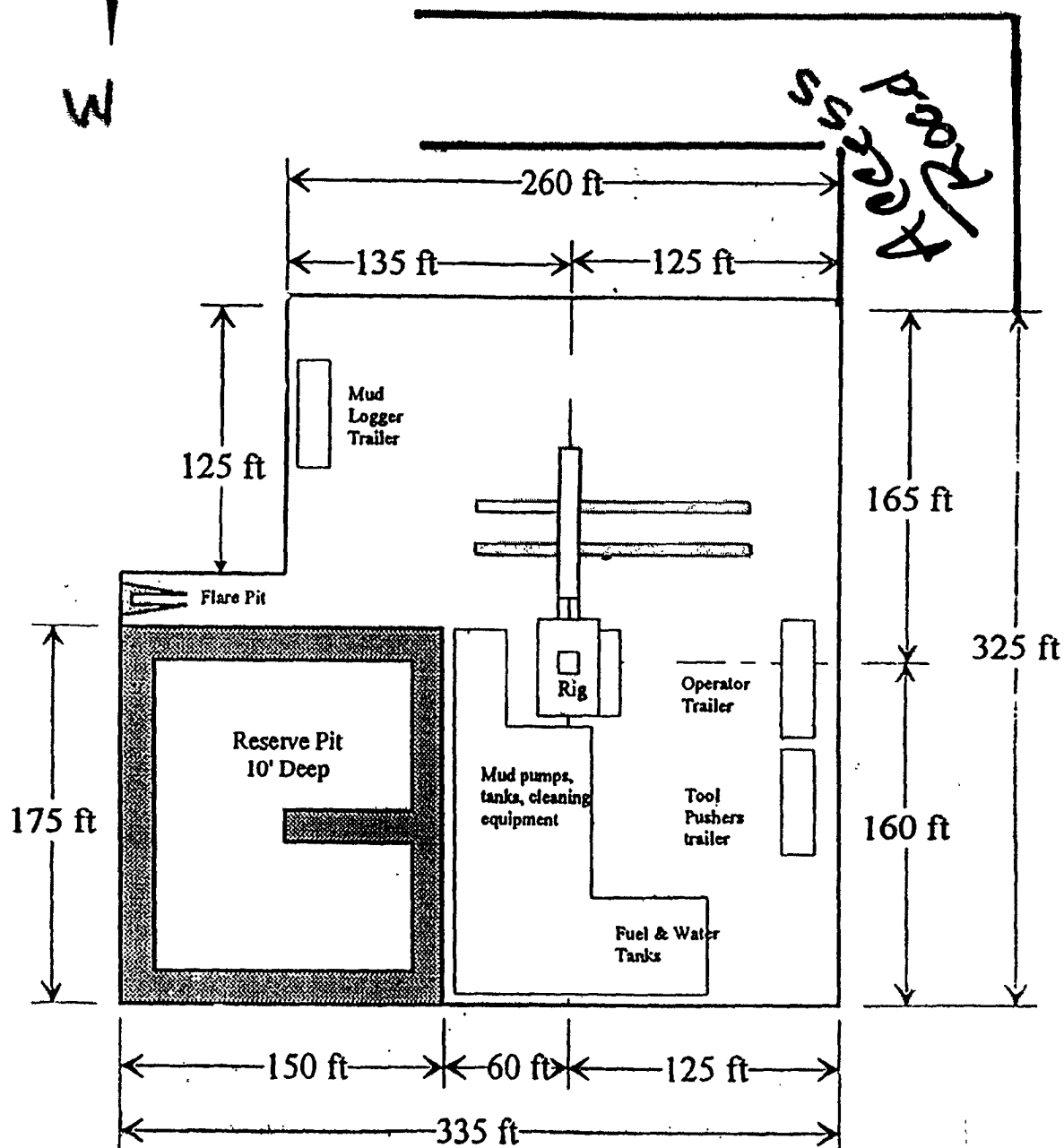


Yates Petroleum Corporation

Location Layout for Permian Basin

Up to 12,000'

Yates Petroleum Corporation
 Buder ACN Federal #4
 1980' FSL and 1080' FEL
 Section 22, T6S-R26E
 Chaves County, New Mexico
 Exhibit "C"



Distance from Well
 Head to Reserve Pit
 will vary between rigs

The above dimension
 should be a maximum

III. DRILLING OPERATION REQUIREMENTS:

A. GENERAL DRILLING REQUIREMENTS:

1. The Bureau of Land Management (BLM) is to be notified at the Roswell Field Office, 2909 West Second St., Roswell NM 88201, (505) 627-0272, 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

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.

B. CASING:

1. 11-3/4 inch surface casing should be set at approximately 950 feet, below usable water and circulate cement to the surface. If cement does not circulate to the surface this BLM 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. If 8-5/8 inch intermediate casing is set due to lost circulation being encountered, minimum required fill of cement behind the 8-5/8 inch intermediate casing is sufficient to tie back 200 feet into the 11-3/4 inch surface casing set at approximately 950 feet.

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.

C. 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.

2. Minimum working pressure of the blowout preventer and related equipment (BOPE) shall be 2000 psi.

3. The BOPE shall be installed before drilling below the 11-3/4 inch surface casing and shall be tested as described in Onshore Order No. 2. Any equipment failing to test satisfactorily shall be repaired or replaced.

a. The results of the test shall be reported to the BLM Roswell Field Office at 2909 West Second Street, Roswell, New Mexico 88201-1287.

b. 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.

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