

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

For (April 2004)

Oil Cons.
N.M. DIV-Dist. 2 SEP 11 2007
1301 W. Grand Avenue
Artesia, NM 88210

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

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

1a. Type of Work: ☒ DRILL ☐ REENTER

1b. Type of Well: ☐ Oil Well ☒ Gas Well ☐ Other ☒ Single Zone ☐ Multiple Zone

2. Name of Operator

Yates Petroleum Corporation 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 and 1980' FEL

At proposed prod zone

same as above

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

Approximately Twenty-nine (29) miles NE of Roswell, NM

15. Distance from proposed*

location to nearest

property or lease line, ft

(Also to nearest drlg. unit line, if any)

660'

16. No. of acres in lease

480.00

17. Spacing Unit dedicated to this well

320 acres E/2

18. Distance from proposed location*

to nearest well, drilling, completed,

applied for, on this lease, ft

19. Proposed Depth

5880'

20. BLM/ BIA Bond No. on file

NATIONWIDE BOND #NMB000434

21. Elevations (Show whether DF RT, GR, etc)

3807'

22. Approximate 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.

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 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 a authorized officer

25. Signature

Name (Printed/ Typed)

Date

Title

Regulatory Agent

Debbie L. Caffall

8/7/2007

Approved By (Signature)

/S/ JOHN S. SIMITZ

Name (Printed/ Typed)

/S/ JOHN S. SIMITZ

Date

SEP 06 2007

Title

Assistant Field Manager,
Lands And Minerals

Office

ROSWELL FIELD OFFICE

APPROVED FOR 2 YEARS

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 cc 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)

previously approved c-144 attached

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS AND
SPECIAL STIPULATIONS ATTACHED

District I

1625 N. French Dr., Hobbs, NM 88240

District II

1301 W. Grand Avenue, 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 October 12, 2005

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 96542	³ Pool Name Wildcat Granite
⁴ Property Code 32431	⁵ Property Name NEEDLE BCI FEDERAL	⁶ Well Number 1
⁷ OGRID No. 025575	⁸ Operator Name YATES PETROLEUM CORPORATION	⁹ Elevation 3807'

¹⁰ Surface Location

UL or lot no. O	Section 13	Township 6S	Range 26E	Lot Idn	Feet from the 660	North/South line SOUTH	Feet from the 1980	East/West line EAST	County CHAVES
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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
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¹² Dedicated Acres 320 E/2	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.

¹⁶ 	¹⁷ OPERATOR CERTIFICATION 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.	
	Signature: <i>Debbie L. Caffall</i> Date: 8/7/07 Debbie L. Caffall Printed Name	
	Regulatory Agent Title	
	¹⁸ 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 belief.	
Date of Survey Signature and Seal of Professional Surveyor REFER TO ORIGINAL PLAT Certificate Number		

DISTRICT I
1000 N. French St., Hobbs, NM 88240

DISTRICT II
311 South First, Artesia, NM 88210

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV
2040 South Pacheco, Santa Fe, NM 87505

Energy, Minerals and Natural Resources Report

Revised March 17, 1999
Instruction on back
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

OIL CONSERVATION DIVISION
P.O. Box 2088
Santa Fe, New Mexico 87504-2088

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number		Pool Code	Pool Name Wildcat Precambrian
Property Code	Property Name NEEDLE "BCI" FEDERAL		Well Number 1
OGRID No. 025575	Operator Name YATES PETROLEUM CORPORATION		Elevation 3807


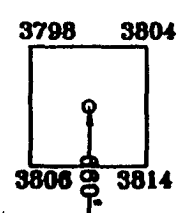
Surface Location

UL or lot No. 0	Section 13	Township 6S	Range 26E	Lot Idn	Feet from the 660	North/South line SOUTH	Feet from the 1980	East/West line EAST	County CHAVES
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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 INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION**

		NM-90862		OPERATOR CERTIFICATION <i>I hereby certify the the information contained hereto is true and complete to the best of my knowledge and belief.</i>  Signature Robert Asher Printed Name Regulatory Agent Title 8/4/2005 Date	
				SURVEYOR CERTIFICATION <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> 2/04/2004 Date Surveyed Signature of Registered Professional Surveyor HERSCHEL L. JONES NEW MEXICO 3640 Certificate No. Herschel L. Jones RLS 3640 NEEDLE PROFESSIONAL LAND SURVEYOR GENERAL SURVEYING COMPANY	
		N.33°47'21.5" W.104°14'48.9"			
					

0 330' 660' 990' 1650' 1980' 2310' 2640' 2970' 3300' 0'

YATES PETROLEUM CORPORATION
Needle BCI Federal #1
660' FSL and 1980' FEL
Section 13, T6S-R26E
Chaves County, New Mexico

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

San Andres	905'	Spear Zone	5050'
Glorietta	1855'	Cisco	5315'
Yeso	1970'	Strawn	5530'
Tubb	3390'	Siluro-Devonian	5660'
Abo	4085'	Precambrian	5730'
Wolfcamp	4730'	TD	5880'

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 9 5/8" 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"	9 5/8"	36#	J-55	ST&C	0-950'	WITNESS
8 3/4"	5 1/2"	15.5#	J-55	ST&C	0-5880'	

1. Minimum Casing Design Factors: Collapse 1.125, Burst 1.25, Tensile Strength 1.8

B. CEMENTING PROGRAM:

Surface Casing: 650 sx Lite "C" (YLD 2.0 WT 12.5). Tail w/200 sx
C w/2% CaCL₂ (YLD 1.33 WT 15.6) Cement circulated to surface.

Production Casing 850 sx Pecos Valley Lite (YLD 1.42 WT 13.0). TOC 3600'
Cement shall extend upward a minimum of 200 feet above the Glorieta formation.

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 – 8.8	32-34	N/C
950'-4000'	Brine	9.8 - 10	28	N/C
4000'-5880'	Starch/Salt Gel	9.8 - 10	45-50	<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/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: Possible.

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

Anticipated BHP:

From: 0	TO: 950'	Anticipated Max. BHP: 450 PSI
From: 950'	TO: 5880'	Anticipated Max. BHP: 2300 PSI

Abnormal Pressures Anticipated: None

Lost Circulation Zones Anticipated: None.

H₂S Zones Anticipated: None Anticipated

Maximum Bottom Hole Temperature: 145 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

Needle BCI Federal #1

660' FSL and 1980' FEL

Section 13, 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 well site is located approximately 30 miles northeast of Roswell, New Mexico and the access route to the location is indicated in red and green on Exhibit A.

DIRECTIONS:

Drive northeast of Roswell on U.S. Highway 70 for approximately 14 miles to Aztec Road on the left (north), turn left onto Aztec and continue for approximately 15 miles to a cattle guard (Private Access road sign on fence), drive through cattle guard and drive around the corrals another cattle guard on the right (east) side of the road, drive through the cattle guard and continue east for approximately 0.5 of a mile, turn left (north) and continue for approximately 0.1 of a mile to the SW corner of the Stern BCS Com. #2 well, the new road is staked at the SE corner of the well pad, the new road will travel north for approximately 152' then turns right (east), turn right and follow staked road for approximately 0.5 of a mile to the NW corner of the location.

2. PLANNED ACCESS ROAD:

- A. The proposed new access will be approximately 2034" in length from the point of origin (southeast corner of the Stern BCS Com. #2 well) 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. 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 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. **The pits are to the south.**
- B. The reserve pits will be plastic lined (12 mil. thick with an estimated volume of 24,000 bbls). Yates Petroleum Corporation is in full compliance with the OCD General Plan for Drilling Pits, approved on April 15, 2004.
- 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 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: Cooper Revocable Trust, Carl Cooper, 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:

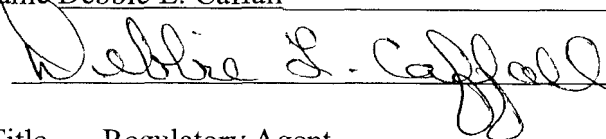
- | | |
|---|--|
| A. Through A.P.D. Approval:
Debbie L. Caffall, Regulatory Agent
Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210
Phone (505) 748-1471 | B. Through Drilling, Completions & Prod.
Ray Stall, Operations Manager
Yates Petroleum Corporation
105 South Fourth Street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

CERTIFICATION
YATES PETROLEUM CORPORATION
Needle BCI Federal #1

I hereby certify that I, or someone under my direct supervision, have inspected the drill site and access route proposed herein; that I am familiar with the conditions which currently exist; that I have full knowledge of state and federal laws applicable to this operation; that the statements made in this APD package are, to the best of my knowledge, true and correct; and that the work associated with the operations proposed herein will be performed in conformity with this APD package and the terms and conditions under which it is approved. I also certify that I, or the company I represent, am responsible for the operations conducted under this application. These statements are subject to the provisions of 18 U.S.C. 1001 for the filing of false statements.

Executed this 7th day of August, 2007.

Printed Name Debbie L. Caffall

Signature 

Position Title Regulatory Agent

Address 105 South Fourth Street, Artesia, NM 88210

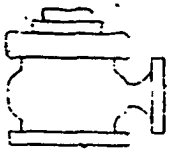
Telephone 505-748-4376

Field Representative (if not above signatory) Jim Krogman

Address (if different from above) Same

Telephone (if different from above) 505-748-4215

E-mail (optional) debbiec@ypcnm.com



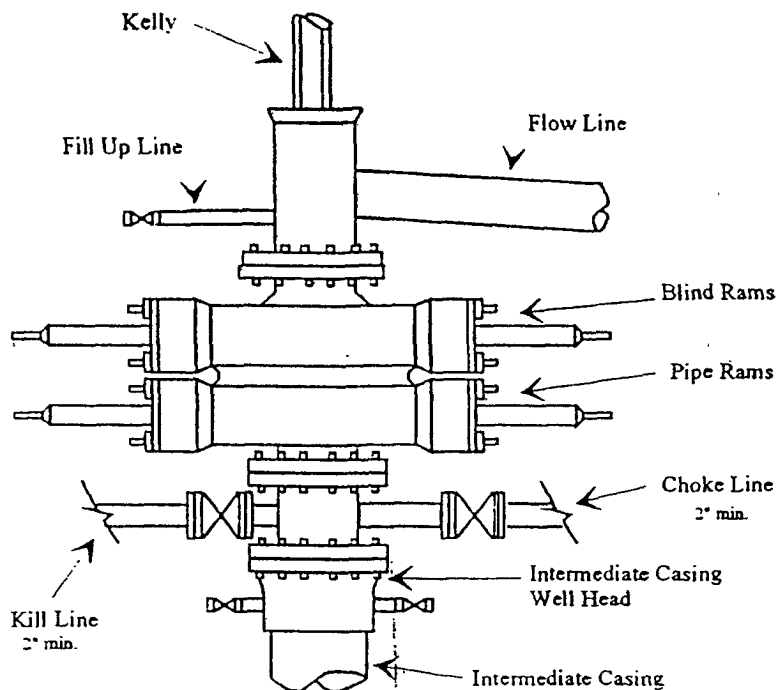
Yates Petroleum Corporation

BOP-2

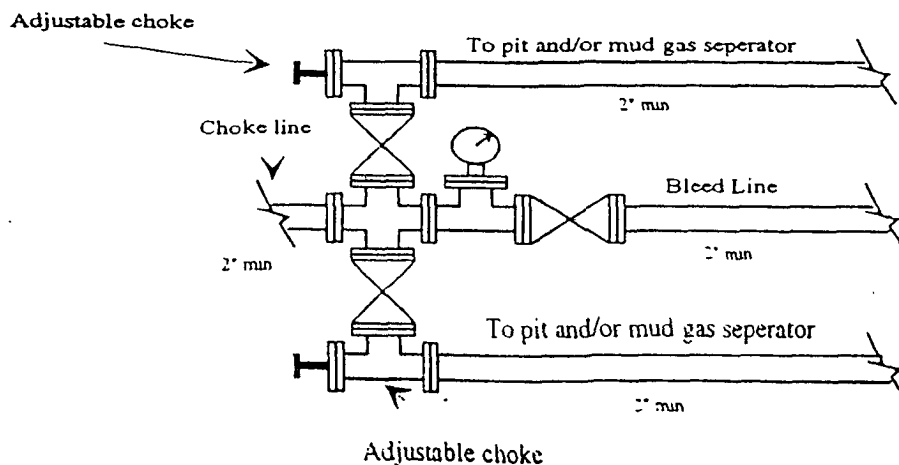
Typical 2,000 psi Pressure System Schematic

Double Ram Preventer Stack

Yates Petroleum Corporation
Needle BCI Federal #1
660' FSL and 1980' FEL
Section 13, T6S-R26E
Chaves County, New Mexico
Exhibit "B"



Typical 2,000 psi choke manifold assembly with at least these minimum features

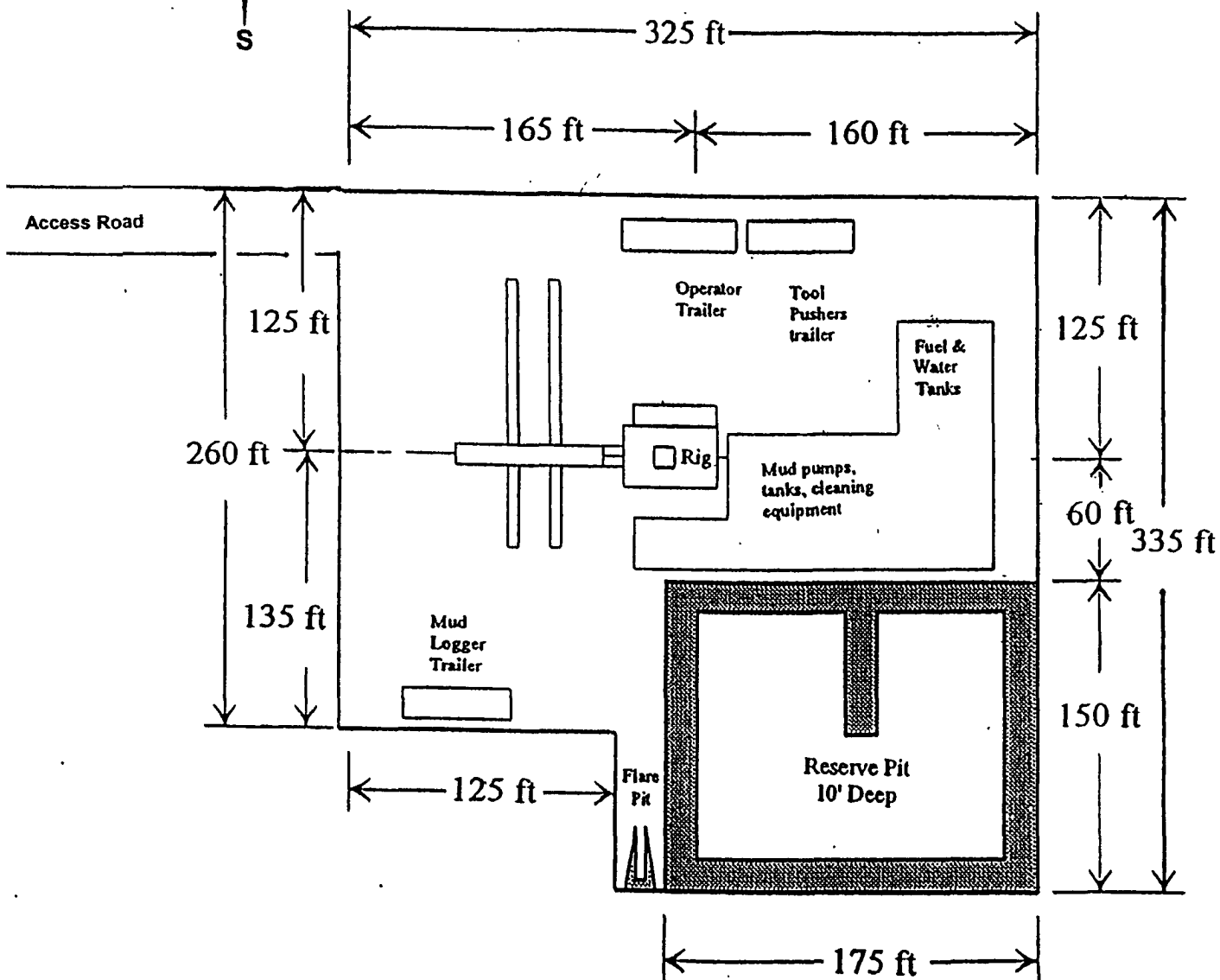
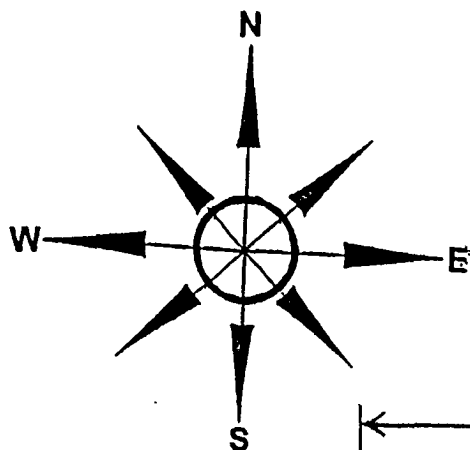


Yates Petroleum Corporation

Location Layout for Permian Basin

Up to 12,000'

Yates Petroleum Corporation
 Needle BCI Federal #1
 660' FSL and 1980' FEL
 Section 13, 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

V. DRILLING

A. DRILLING OPERATIONS REQUIREMENTS

1. The BLM is to be notified a minimum of 4 hours in advance for a representative to witness:
 - a. Spudding well
 - b. Setting and/or Cementing of all casing strings
 - c. BOPE tests

Chaves and Roosevelt Counties; Call the Roswell Field Office, 2909 West Second St., Roswell NM 88201. During office hours call (505) 627-0258. After office hours call (505) 200-7902.

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.

B. CASING

1. The 9-5/8 inch surface casing shall be set at 950 feet and cemented to the surface.
 - a. 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.
 - b. Wait on cement (WOC) time for a primary cement job will be a minimum 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).
 - c. 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.
 - d. If cement falls back, remedial action will be done prior to drilling out that string.
2. The minimum required fill of cement behind the 5-1/2 inch production casing is to reach at least 200 feet above the top of the Glorieta formation.

C. PRESSURE CONTROL

1. 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 Sec. 17.
2. Minimum working pressure of the blowout preventer (BOP) and related equipment (BOPE) required for drilling below the surface casing shoe shall be 2000 (2M) psi.
3. The appropriate BLM office shall be notified a minimum of 4 hours in advance for a representative to witness the tests.
 - a. The tests shall be done by an independent service company.

- b. The results of the test shall be reported to the appropriate BLM office.
- c. 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.
- d. The BOP/BOPE test shall include a low pressure test from 250 to 300 psi. 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.

D. 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.

E. DRILL STEM TEST

If drill stem tests are performed, Onshore Order 2.III.D shall be followed.

Engineer on call phone (after business hours only): Roswell: (505) 626-5749

VI. PRODUCTION

A. WELL STRUCTURES & FACILITIES

Placement of Production Facilities

Production facilities should be placed on the well pad to allow for maximum interim recontouring and revegetation of the well location.

Containment Structures

The containment structure shall be constructed to hold the capacity of the entire contents of the largest tank, plus 24 hour production, unless more stringent protective requirements are deemed necessary by the Authorized Officer.

Painting Requirement

All above-ground structures including meter housing that are not subject to safety requirements shall be painted a flat non-reflective paint color, **Olive Drab, Munsell Soil Color Chart 18-0622 TPX.**

VII. INTERIM RECLAMATION & RESERVE PIT CLOSURE