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

ATS-07-741
1312

NOV 27 2007
OCD-ARTESIA

Form 3160-3
(February 2005)

RESUBMITTAL

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

UNITED STATES
DEPARTMENT OF THE INTERI
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

S

1a. Type of Work: [X] DRILL [ ] REENTER	5. Lease Serial No. **NM-063073A**
1b. Type of Well: [ ] Oil Well [X] Gas Well [ ] Other [X] Single Zone [ ] Multiple Zone	6. If Indian, Allottee or Tribe Name **Not Applicable**
2. Name of Operator **Yates Petroleum Corporation 025575**	7. If Unit or CA Agreement, Name and No. **Not Applicable**
3a. Address **105 South Fourth Street, Artesia, NM 88210**	8. Lease Name and Well No. **HOC Federal Com #3** 16857
3b. Phone No. *(include area code)* **505-748-1471**	9. API Well No. 30-015-35888
4. Location of well *(Report location clearly and In accordance with any State requirements.*)* At surface **336' FNL and 149' FWL- Section 18, T22S-R24E- Surface Hole Location** At proposed prod. zone **660' FNL and 660' FEL- Section 13, T22S-R23E- Bottom Hole Location**	10. Field and Pool, or Exploratory **Indian Basin Upper Penn**
	11. Sec., T., R., M , or Blk. And Survey or Area **Section 18, T22S-R24E Mer NMP SME:BLM**
14. Distance in miles and direction from the nearest town or post office* **Approximately 20 miles NW of Carlsbad, NM**	12. County or Parish **Eddy** / 13. State **NM**
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drlg. unit line, if any) **149'**	16. No. of acres in lease **40.00** / 17. Spacing Unit dedicated to this well **320 E/2**
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft.	19. Proposed Depth 8450' **8900' MD** / 20 BLM/ BIA Bond No. on file **NATIONWIDE BOND #NMB000434**
21. Elevations (Show whether DF, KDB, RT, GL, etc.) **3127' GL**	22. Aproximate date work will start* **ASAP** / 23. Estimated duration

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.
2. A Drilling Plan
3. A Surface Use Plan (if the location is on National Forest System Lands, the SUPO must 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 BLM

25. Signature Cy Cowan	Name *(Printed/ Typed)* **Cy Cowan**	Date **9/14/2007**
Title **Regulatory Agent**		
Approved By *(Signature)* /s/ James A. Amos	Name *(Printed/ Typed)* /s/ James A. Amos	Date NOV 23 2007
Title FOR 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 cc operations thereon

Conditions of approval, if any, are attached.

APPROVAL FOR TWO YEARS

Title 18 U.S.C. Section 1001 and Title 43 U S C. Section 1212, make it a crime for any person knowingly and wilfully to make to any department or agency of the Unite 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 C-102 attached

SEE ATTACHED FOR CONDITIONS OF APPROVAL

Carlsbad Controlled Water Basin

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	[3] Pool Name
		Indian Basin Upper Penn

[4] Property Code	[5] Property Name	[6] Well Number
16857	HOC FEDERAL COM	3

[7] OGRID No.	[8] Operator Name	[9] Elevation
025575	YATES PETROLEUM CORPORATION	3127'

[10] Surface Location

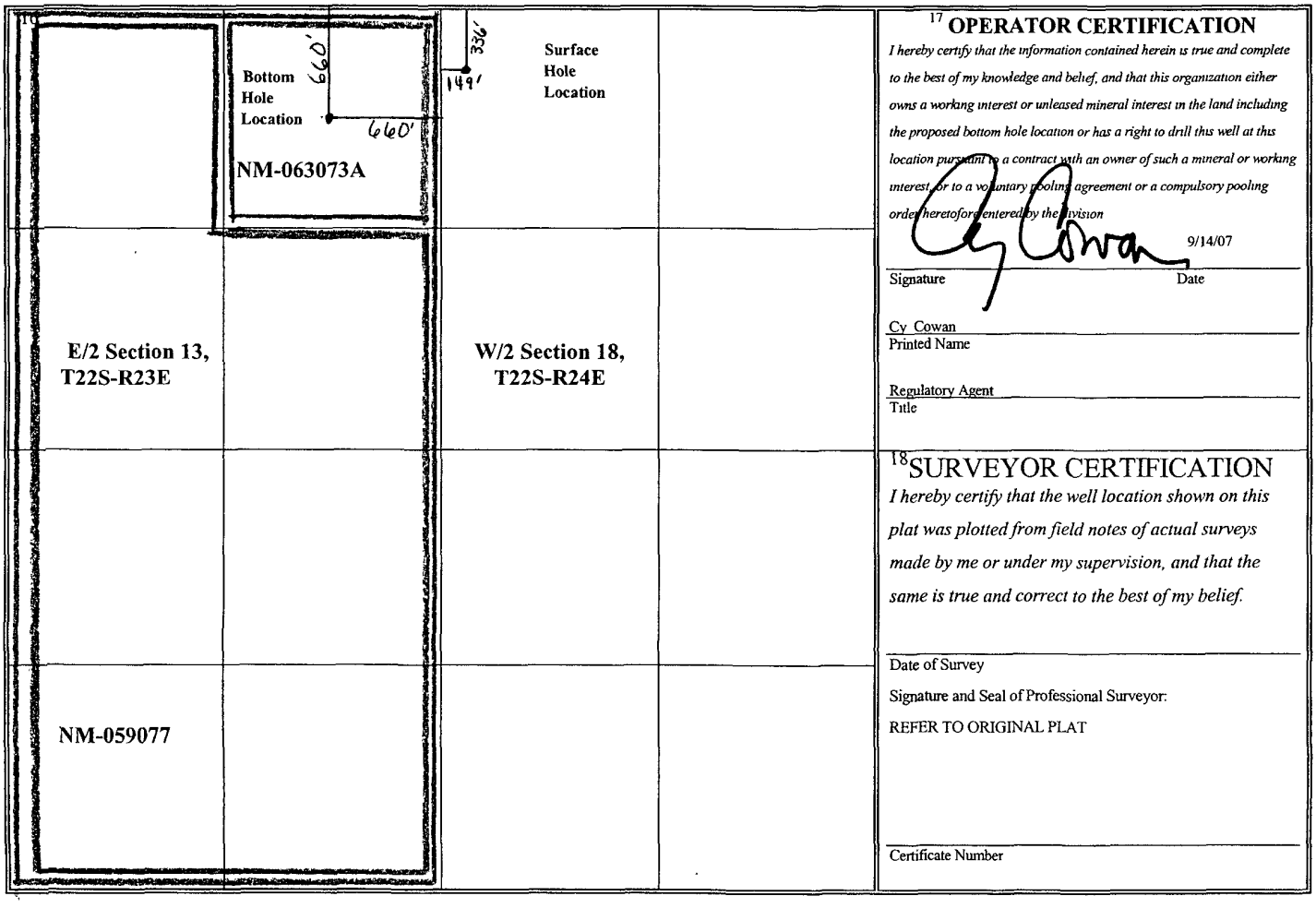
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
Lot 1	18	22S	24E		336	NORTH	149	WEST	EDDY

[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
A	13	22S	23E		660	NORTH	660	EAST	EDDY

[12] Dedicated Acres	[13] Joint or Infill	[14] Consolidation Code	[15] Order No.
320 E/2			

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.



[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

9/14/07

Signature Date

Cy Cowan
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
1625 N. French Dr., Hobbs, NM 88240
District II
811 South First, Artesia, NM 88210
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources

OIL CONSERVATION DIVISION
2040 South Pacheco
Santa Fe, NM 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

1 API Number	2 Pool Code	3 Pool Name
		Indian Basin Upper Penn

4 Property Code	5 Property Name	6 Well Number
	DOC FEDERAL COM	3

7 OGRID No.	8 Operator Name	9 Elevation
025575	YATES PETROLEUM CORPORATION	4090.

10 Surface Location

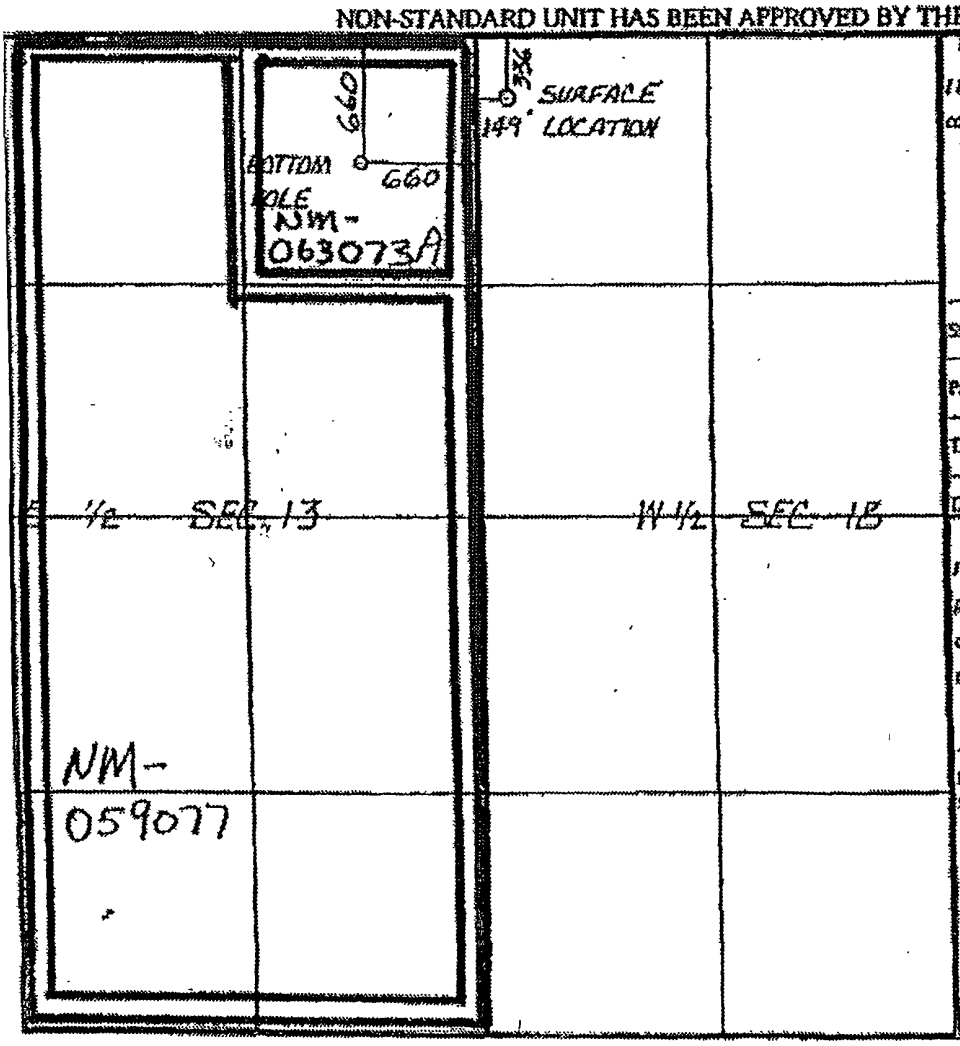
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
LOT 1	18	22-S	24-E		336	NORTH	149	WEST	EDDY

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
A	13	22-S	23-E		660	NORTH	660	EAST	EDDY

12 Dedicated Acres	13 Joint or Infill	14 Consolidation Code	15 Order No.
025575			

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



17 OPERATOR CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief

Signature: Cy Cowan

Printed Name: Cy Cowan

Title: Regulatory Agent

Date: March 23, 2001

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: MARCH 16, 2001

Signature and Seal of Professional Surveyor:

NEW MEXICO
5412
REGISTERED PROFESSIONAL ENGINEER
LAND SURVEYOR

Certificate Number: NM PE&LS NO. 5412

YATES PETROLEUM CORPORATION
HOC Federal Com. #3
336' FNL & 149' FWL Surface Location
Section 18-T22S-R24E
660' FNL and 660' FEL Bottom Hole location
Section 13, T22S-R23E
Eddy County, New Mexico

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

San Andres	846'	Oil Pay
Glorietta	2247'	Oil Pay
Bone Spring	3037'	Oil Pay
Wolf Camp	7002'	Gas Pay
Canyon	7800'	Gas Pay
TD	8300' TVD, 8450' MD	Gas Pay

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

Water: 250-300'
Oil or Gas: All potential zones.

3. Pressure Control Equipment: BOPE will be installed on the 9 5/8" casing and rated for 3000 BOP systems will be consistent with API RP 53. Pressure tests will be conducted before drilling out from under all casing strings which are set and cemented in place. Blowout Preventor controls will be installed prior to drilling the surface plug and will remain in use until the well is completed or abandoned. Preventors will be inspected and operated at least daily to ensure good mechanical working order, and this inspection recorded on the daily drilling report. See Exhibit B.

Auxiliary Equipment:

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

4. THE PROPOSED CASING AND CEMENTING PROGRAM:

A. Casing Program: (All New)

Hole Size	Casing Size	Wt./Ft	Grade	Coupling	Interval	Length
14 3/4"	9 5/8"	36#	J-55	ST&C	0-1600'	1600'
8 3/4"	7.0"	26#	J-55	LT&C	0-100'	100'
8 3/4"	7.0"	23#	J-55	LT&C	100'-5200'	5100'
8 3/4"	7.0"	26#	J-55	LT&C	5200'-7200'	2000'
8 3/4"	7.0"	26#	N-80	LT&C	7200'-8450'	1250'

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

B. Cementing Program:
Surface casing: 1000 sx Lite (YLD 2.02 WT 12.4) tailed in with 250 sx Class C + 2% CaCl2 (YLD 1.32 WT 14.8) Surface

Production Casing: DV tool at 6000'.
Stage I: 350 sx Super C (YLD 1.67 WT 13.0). Surface

Stage II: 600 sx Lite (YLD 2.02 WT 12.4), tail in with 200 sx Class C (YLD 1.32 WT 14.8). Surface

5. MUD PROGRAM AND AUXILIARY EQUIPMENT:

Interval	Type	Weight	Viscosity	Fluid Loss
0-1600'	FW Gel/LCM	8.3-8.6	30	N/C
1600'-7950'	Cut Brine	9.0-9.2	29	N/C
7950'-TD'	Cut Brine/Starch	9.0-9.2	30-34	<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 surface casing.
Logging: CNL/LDT from TD to casing w/ CR-CNL to surface: DLL from TD to casing w/ RXO from TD.
Coring: As warranted.
DST's: As warranted.

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

From: 0	TO:	1600'	Anticipated Max. BHP:	130	PSI
From: 1600'	TO:	2400'	Anticipated Max. BHP:	950	PSI
From: 2400'	TO:	8450'	Anticipated Max. BHP:	2700	PSI

Abnormal Pressures Anticipated: None

Lost Circulation Zones Anticipated: Possible in surface hole.

H2S Zones Anticipated: Possible Canyon

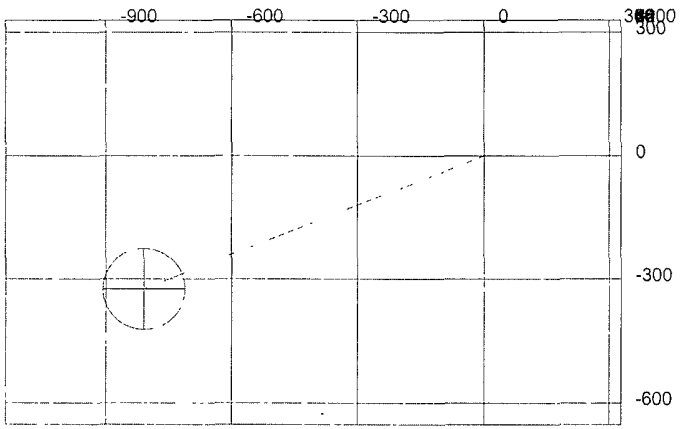
Maximum Bottom Hole Temperature: 159 F

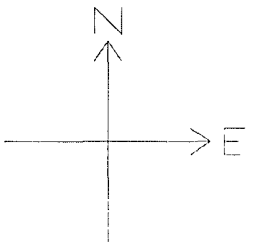
8. ANTICIPATED STARTING DATE:

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 20 days.

3D³ Directional Drilling Planner - 3D View

Company: **Yates Petroleum Corporation**
Well: **HOC Federal Com. #3**





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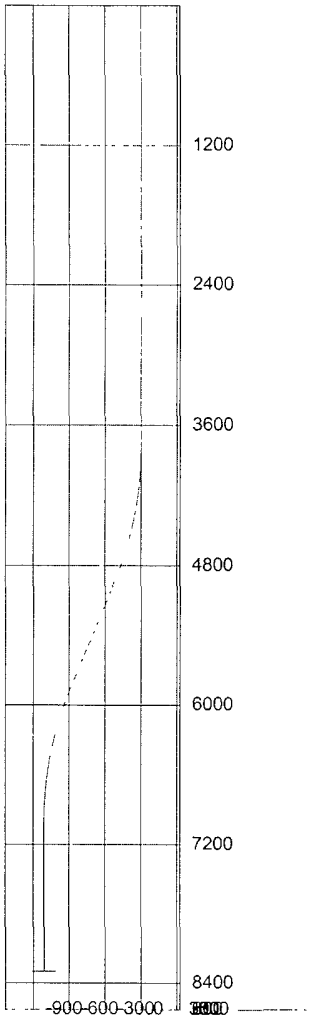
3D³ Directional Drilling Planner - 3D View

Company: **Yates Petroleum Corporation**
Well: **HOC Federal Com. #3**



File: C:\Program Files\Drilling Toolbox 2001\Templates\Visual Wellbore\HOC3.wpp

Simulated Survey - C:\Program Files\Drilling Toolbox 2001\Templates\Visual Wellbore\HOC3.wpp

	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	3800.00	0.00	0.00	3800.00	0.00	0.00	2.00	248	GN
3	3825.00	0.50	248.17	3825.00	-0.04	-0.10	2.00	360	HS
4	3850.00	1.00	248.17	3850.00	-0.16	-0.41	2.00	360	HS
5	3875.00	1.50	248.17	3874.99	-0.36	-0.91	2.00	360	HS
6	3900.00	2.00	248.17	3899.98	-0.65	-1.62	2.00	360	HS
7	3925.00	2.50	248.17	3924.96	-1.01	-2.53	2.00	360	HS
8	3950.00	3.00	248.17	3949.93	-1.46	-3.64	2.00	360	HS
9	3975.00	3.50	248.17	3974.89	-1.99	-4.96	2.00	360	HS
10	4000.00	4.00	248.17	3999.84	-2.59	-6.48	2.00	0	HS
11	4025.00	4.50	248.17	4024.77	-3.28	-8.20	2.00	360	HS
12	4050.00	5.00	248.17	4049.68	-4.05	-10.12	2.00	360	HS
13	4075.00	5.50	248.17	4074.58	-4.90	-12.24	2.00	0	HS
14	4100.00	6.00	248.17	4099.45	-5.83	-14.57	2.00	0	HS
15	4125.00	6.50	248.17	4124.30	-6.85	-17.10	2.00	360	HS
16	4150.00	7.00	248.17	4149.13	-7.94	-19.82	2.00	0	HS
17	4175.00	7.50	248.17	4173.93	-9.11	-22.75	2.00	0	HS
18	4200.00	8.00	248.17	4198.70	-10.37	-25.88	2.00	0	HS
19	4225.00	8.50	248.17	4223.44	-11.70	-29.21	2.00	360	HS
20	4250.00	9.00	248.17	4248.15	-13.11	-32.74	2.00	0	HS
21	4275.00	9.50	248.17	4272.83	-14.61	-36.47	2.00	0	HS
22	4300.00	10.00	248.17	4297.47	-16.18	-40.40	2.00	360	HS
23	4325.00	10.50	248.17	4322.07	-17.83	-44.53	2.00	360	HS
24	4350.00	11.00	248.17	4346.63	-19.57	-48.86	2.00	0	HS
25	4375.00	11.50	248.17	4371.15	-21.38	-53.39	2.00	0	HS
26	4400.00	12.00	248.17	4395.62	-23.27	-58.12	2.00	360	HS
27	4425.00	12.50	248.17	4420.05	-25.25	-63.04	2.00	0	HS
28	4450.00	13.00	248.17	4444.44	-27.30	-68.16	2.00	0	HS
29	4475.00	13.50	248.17	4468.77	-29.43	-73.48	2.00	360	HS
30	4500.00	14.00	248.17	4493.06	-31.64	-79.00	2.00	360	HS
31	4525.00	14.50	248.17	4517.29	-33.93	-84.71	2.00	360	HS
32	4550.00	15.00	248.17	4541.46	-36.29	-90.62	2.00	0	HS
33	4575.00	15.50	248.17	4565.58	-38.74	-96.72	2.00	360	HS
34	4600.00	16.00	248.17	4589.64	-41.26	-103.02	2.00	0	HS
35	4625.00	16.50	248.17	4613.64	-43.86	-109.52	2.00	360	HS
36	4650.00	17.00	248.17	4637.58	-46.54	-116.20	2.00	0	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	4675.00	17.50	248.17	4661.46	-49.30	-123.09	2.00	360	HS
38	4700.00	18.00	248.17	4685.27	-52.13	-130.16	2.00	0	HS
39	4725.00	18.50	248.17	4709.01	-55.04	-137.43	2.00	360	HS
40	4750.00	19.00	248.17	4732.68	-58.03	-144.89	2.00	360	HS
41	4775.00	19.50	248.17	4756.29	-61.09	-152.54	2.00	360	HS
42	4800.00	20.00	248.17	4779.82	-64.23	-160.38	2.00	0	HS
43	4825.00	20.50	248.17	4803.27	-67.45	-168.42	2.00	360	HS
44	4850.00	21.00	248.17	4826.65	-70.74	-176.64	2.00	0	HS
45	4875.00	21.50	248.17	4849.95	-74.11	-185.05	2.00	360	HS
46	4900.00	22.00	248.17	4873.17	-77.56	-193.65	2.00	0	HS
47	4925.00	22.50	248.17	4896.31	-81.08	-202.44	2.00	0	HS
48	4950.00	23.00	248.17	4919.36	-84.67	-211.41	2.00	0	HS
49	4969.93	23.40	248.17	4937.68	-87.59	-218.70	0.00		
50	5976.99	23.40	248.17	5861.93	-236.28	-589.96	0.00		
51	6000.00	22.94	248.17	5883.01	-239.70	-598.52	2.00	180	HS
52	6025.00	22.44	248.17	5906.07	-243.29	-607.47	2.00	180	HS
53	6050.00	21.94	248.17	5929.22	-246.80	-616.23	2.00	180	HS
54	6075.00	21.44	248.17	5952.45	-250.23	-624.81	2.00	180	HS
55	6100.00	20.94	248.17	5975.76	-253.59	-633.20	2.00	180	HS
56	6125.00	20.44	248.17	5999.15	-256.88	-641.40	2.00	180	HS
57	6150.00	19.94	248.17	6022.62	-260.08	-649.41	2.00	180	HS
58	6175.00	19.44	248.17	6046.15	-263.22	-657.23	2.00	180	HS
59	6200.00	18.94	248.17	6069.77	-266.27	-664.85	2.00	180	HS
60	6225.00	18.44	248.17	6093.45	-269.25	-672.29	2.00	180	HS
61	6250.00	17.94	248.17	6117.20	-272.15	-679.53	2.00	180	HS
62	6275.00	17.44	248.17	6141.02	-274.97	-686.59	2.00	180	HS
63	6300.00	16.93	248.17	6164.90	-277.72	-693.44	2.00	180	HS
64	6325.00	16.43	248.17	6188.85	-280.39	-700.11	2.00	180	HS
65	6350.00	15.93	248.17	6212.86	-282.98	-706.58	2.00	180	HS
66	6375.00	15.43	248.17	6236.93	-285.49	-712.85	2.00	180	HS
67	6400.00	14.93	248.17	6261.05	-287.93	-718.94	2.00	180	HS
68	6425.00	14.43	248.17	6285.24	-290.29	-724.82	2.00	180	HS
69	6450.00	13.93	248.17	6309.48	-292.56	-730.51	2.00	180	HS
70	6475.00	13.43	248.17	6333.77	-294.76	-736.00	2.00	180	HS
71	6500.00	12.93	248.17	6358.11	-296.89	-741.30	2.00	180	HS
72	6525.00	12.43	248.17	6382.50	-298.93	-746.39	2.00	180	HS

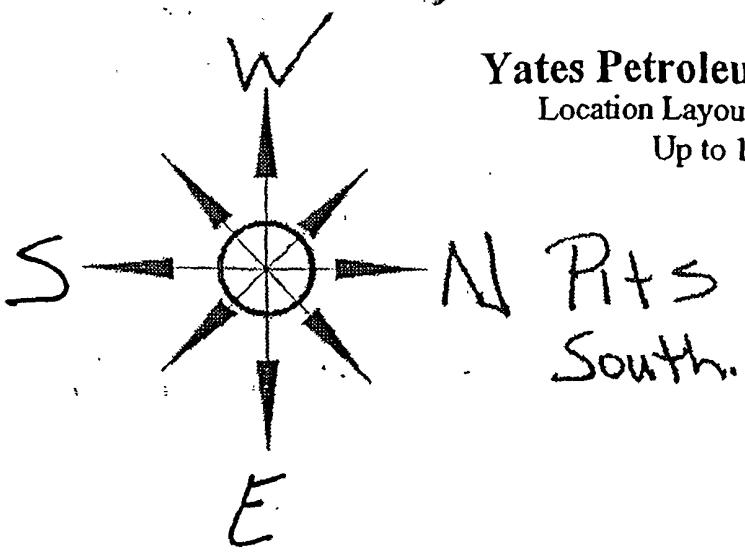
	M.D. [ft]	Inclination [°]	Azimuth [°]	T.V.D. [ft]	N+/S- [ft]	E+/W- [ft]	D.L.S. [°/100ft]	ToolFace [°]	T.F. Ref. [HS/GN]
73	6550.00	11.93	248.17	6406.93	-300.89	-751.29	2.00	180	HS
74	6575.00	11.43	248.17	6431.42	-302.77	-756.00	2.00	180	HS
75	6600.00	10.93	248.17	6455.94	-304.58	-760.50	2.00	180	HS
76	6625.00	10.43	248.17	6480.51	-306.30	-764.80	2.00	180	HS
77	6650.00	9.93	248.17	6505.12	-307.94	-768.91	2.00	180	HS
78	6675.00	9.42	248.17	6529.76	-309.51	-772.82	2.00	180	HS
79	6700.00	8.92	248.17	6554.44	-310.99	-776.52	2.00	180	HS
80	6725.00	8.42	248.17	6579.15	-312.40	-780.03	2.00	180	HS
81	6750.00	7.92	248.17	6603.90	-313.72	-783.33	2.00	180	HS
82	6775.00	7.42	248.17	6628.68	-314.96	-786.44	2.00	180	HS
83	6800.00	6.92	248.17	6653.48	-316.13	-789.34	2.00	180	HS
84	6825.00	6.41	248.17	6678.31	-317.21	-792.05	2.00	180	HS
85	6850.00	5.91	248.17	6703.17	-318.21	-794.55	2.00	180	HS
86	6875.00	5.41	248.17	6728.05	-319.13	-796.85	2.00	180	HS
87	6900.00	4.90	248.17	6752.94	-319.98	-798.95	2.00	180	HS
88	6925.00	4.40	248.17	6777.86	-320.74	-800.85	2.00	180	HS
89	6950.00	3.89	248.17	6802.80	-321.41	-802.54	2.00	180	HS
90	6975.00	3.38	248.17	6827.75	-322.01	-804.04	2.00	180	HS
91	7000.00	2.87	248.17	6852.71	-322.53	-805.33	2.00	180	HS
92	7025.00	2.36	248.17	6877.68	-322.97	-806.42	2.00	180	HS
93	7050.00	1.83	248.17	6902.67	-323.32	-807.30	2.00	180	HS
94	7075.00	1.29	248.17	6927.66	-323.59	-807.99	2.00	180	HS
95	7100.00	0.69	248.17	6952.65	-323.79	-808.47	2.00	180	HS
96	7125.00	0.00	248.17	6977.65	-323.90	-808.75	2.00	180	GN
97	7147.43	0.00	68.16	7000.08	-323.93	-808.83	0.00		
98	8447.43	0.00	345.32	8300.00	-324.00	-809.00	0.00		

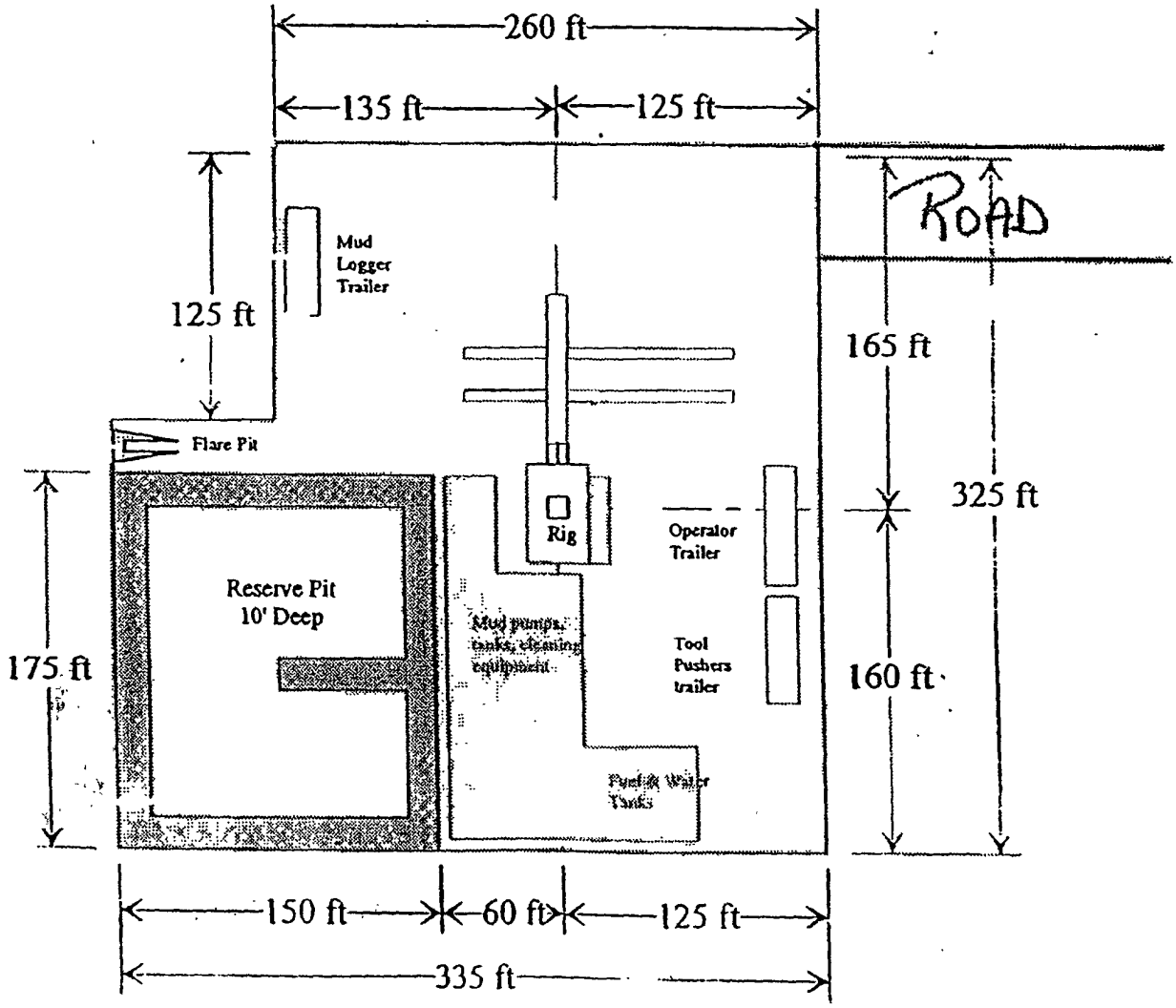
PB - L

Yates Petroleum Corporation

Location Layout for Permian Basin
Up to 12,000'

HOC Federal Com. #3
336' FNL and 149' FWL Surface Loc.
Section 18, T22S-R24E
660' FNL and 660' FEL Bottom Hole Loc
Section 13, T22S-R23E
Eddy County, New Mexico
NM-059077





Distance from Well Head to Reserve Pit will vary between rigs

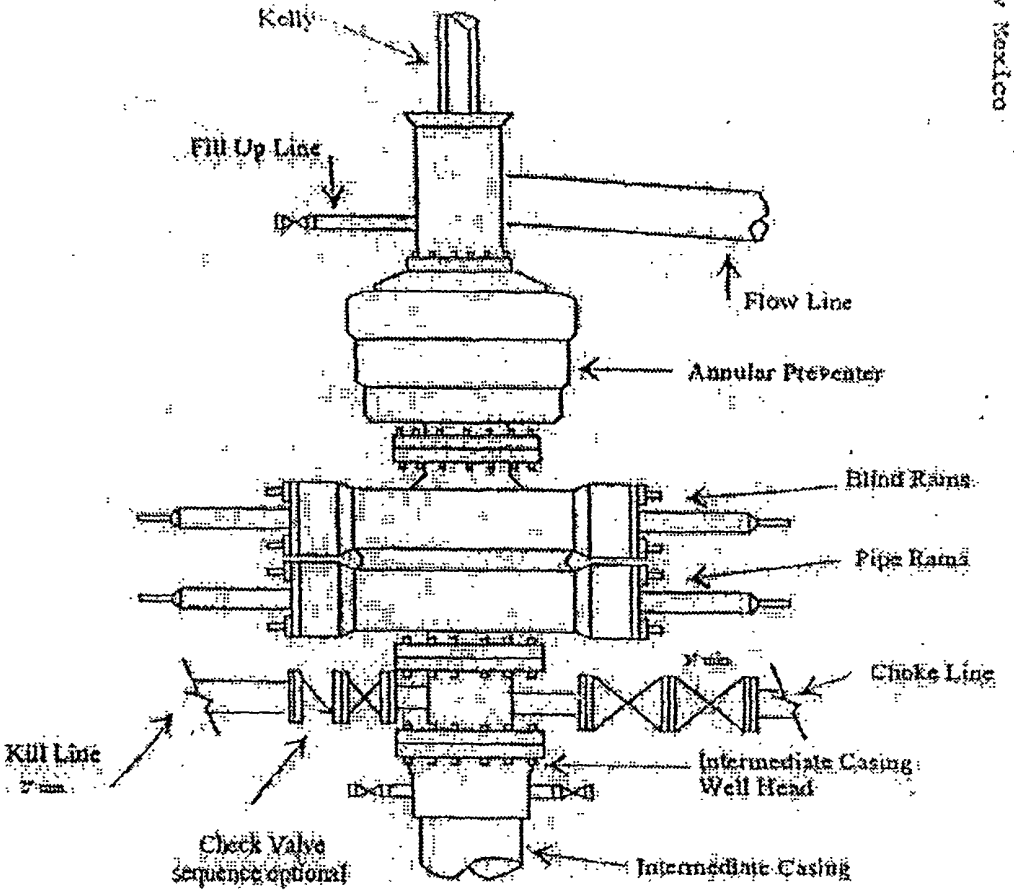
The above dimension should be a maximum

BOC Federal Com. #3
330' FNL and 149' FWL Surface Loc.
Section 18, T22S-R24E
660' FNL and 660' FEL Bottom Hole Loc.
Section 13, T22S-R23E
Eddy County, New Mexico
NM-059077

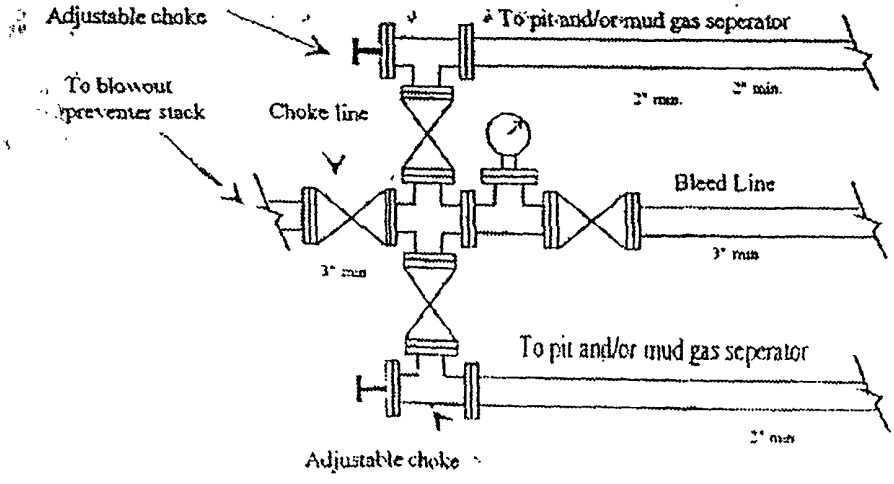
Yates Petroleum Corporation

Typical 3,000 psi Pressure System Schematic

Annular with Double Ram Preventer Stack



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



Yates Petroleum Corporation

105 S. Fourth Street
Artesia, NM 88210

Hydrogen Sulfide (H_2S) Contingency Plan

For

HOC Federal Com. #3

336' FNL, 149' FWL Surface Location
Sec-18, T-22S, R-24E
Eddy County NM

Emergency Procedures

In the case of a release of gas containing H_2S, the first responder(s) must isolate the area and prevent entry by other persons into the 100 ppm ROE. Additionally the first responder(s) must evacuate any public places encompassed by the 100 ppm ROE. First responder(s) must take care not to injure themselves during this operation. Company and/or local officials must be contacted to aid in this operation. Evacuation of the public should be beyond the 100 ppm ROE.

All responders must have training in the detection of H_2S, measures for protection against the gas, equipment used for protection and emergency response. Additionally, responders must be equipped with H_2S monitors and air packs in order to control the release. Use the "buddy system' to ensure no injuries during the response.

Ignition of Gas Source

Should control of the well be considered lost and ignition considered, take care to protect against exposure to Sulfur Dioxide (SO_2). Intentional ignition must be coordinated with the NMOCD and local officials. Additionally the NM State Police may become involved. NM State Police shall be the Incident Command on scene of any major release. Take care to protect downwind whenever there is an ignition of the gas

Characteristics of H_2S and SO_2

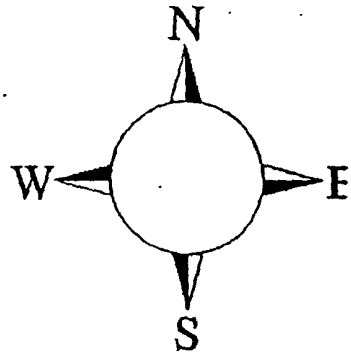
Common Name	Chemical Formula	Specific Gravity	Threshold Limit	Hazardous Limit	Lethal Concentr-ation
Hydrogen Sulfide	H_2S	1.189 Air = 1	10 ppm	100 ppm/hr	600 ppm
Sulfur Dioxide	SO_2	2.21 Air = 1	2 ppm	N/A	1000 ppm

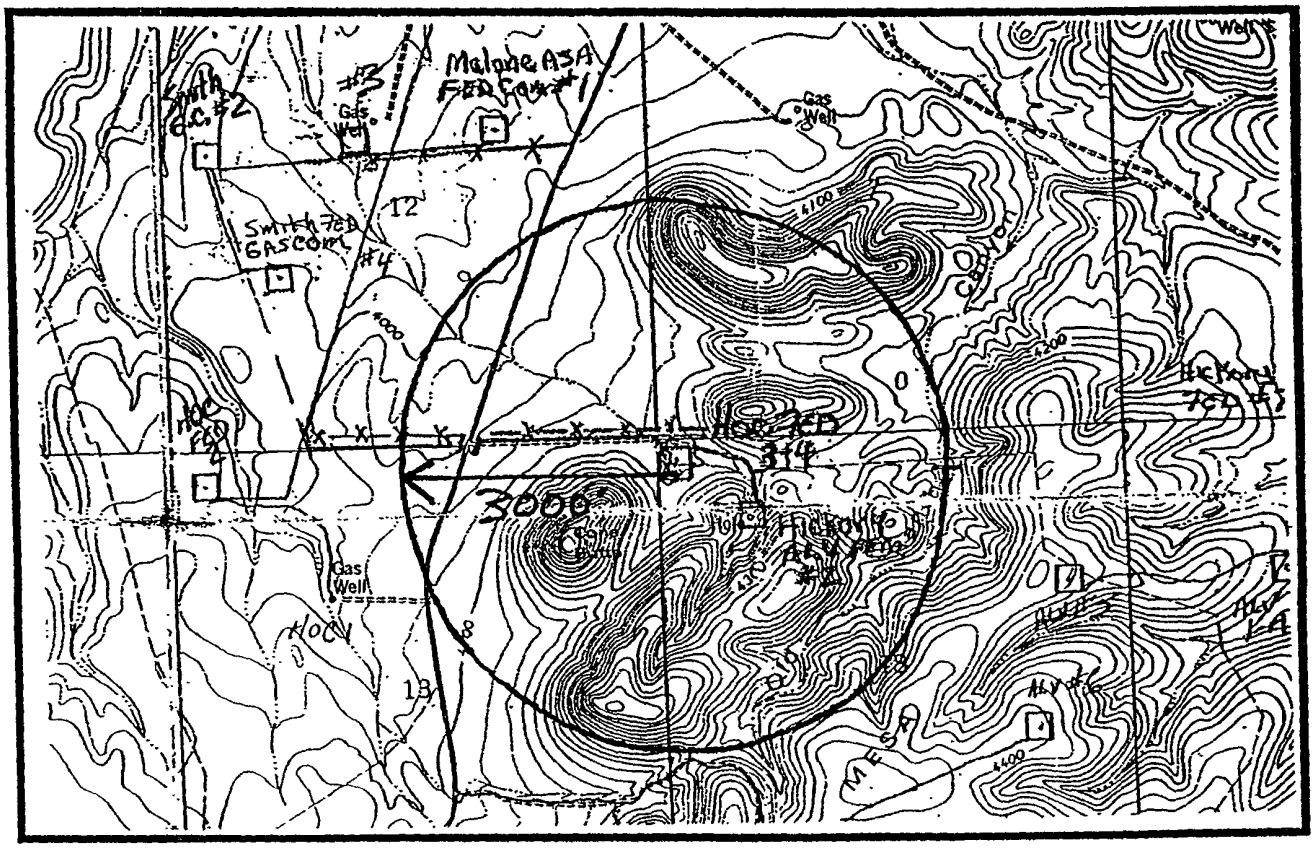
Contacting Authorities

YPC personnel must liaison with local and state agencies to ensure a proper response to a major release. Additionally, the OCD must be notified of the release as soon as possible but no later than 4 hours. Agencies will ask for information such as type and volume of release, wind direction, location of release, etc. Be prepared with all information available. The following call list of essential and potential responders has been prepared for use during a release. YPC Company response must be in coordination with the State of New Mexico's 'Hazardous Materials Emergency Response Plan' (HMER)

HOC_ ederal Com. #3 Location

This is an open drilling site. H_2S monitoring equipment and emergency response equipment will be used within 500' of zones known to contain H_2S, including warning signs, wind indicators and H_2S monitor.





Yates Petroleum Corporation Phone Numbers

YPC Office ..... (505) 748-1471
Pinson McWhorter/Operations Manager ..... (505) 748-4189
Darrel Atkins/Production Manager ..... (505) 748-4204
Ron Beasley/Prod Superintendent ..... (505) 748-4210
Al Springer/Drilling ..... (505) 748-4225
Paul Hanes/Prod. Foreman/Roswell ..... (505) 624-2805
Jim Krogman/Drilling Superintendent ..... (505) 748-4215
Artesia Answering Service ..... (505) 748-4302
(During non-office hours)

Agency Call List

Eddy County (505)

Artesia

State Police 746-2703
City Police 746-2703
Sheriff's Office 746-9888
Ambulance 911
Fire Department 746-2701
LEPC (Local Emergency Planning Committee) 746-2122
NMOCD 748-1283

Carlsbad

State Police 885-3137
City Police 885-2111
Sheriff's Office 887-7551
Ambulance 911
Fire Department 885-2111
LEPC (Local Emergency Planning Committee) 887-3798
US Bureau of Land Management 887-6544

New Mexico Emergency Response Commission (Santa Fe) (505)476-9600
24 HR ..... (505) 827-9126
National Emergency Response Center (Washington, DC) ...(800) 424-8802

Other

Boots & Coots IWC ..... 1-800-256-9688 or (281) 931-8884
Cudd Pressure Control ..... (915) 699-0139 or (915) 563-3356
Halliburton ..... (505) 746-2757
B. J. Services ..... (505) 746-3569

Flight For Life -4000 24th St, Lubbock, TX ..... (806) 743-9911
Aerocare -Rr 3 Box 49f, Lubbock, TX ..... (806) 747-8923
Med Flight Air Amb 2301 Yale Blvd SE #D3, Albuq, NM ..... (505) 842-4433
S B Air Med Svc 2505 Clark Carr Loop SE, Albuq, NM ..... (505) 842-4949

MULTI-POINT SURFACE USE AND OPERATIONS PLAN
Yates Petroleum Corporation
HOC Federal Com. #3
336' FNL & 149' FWL Surface Location
Section 18-T22S-R24E
660' FNL and 660' FEL Bottom Hole location
Section 13, T22S-R23E
Eddy County, New Mexico

This plan is submitted with Form 3160-3, Application for Permit to Drill, covering the above described well. The purpose of this plan is to describe the location of the proposed well, the proposed construction activities and operations plan, the magnitude of the surface disturbance involved and the procedures to be followed in rehabilitating the surface after completion of the operations, so that a complete appraisal can be made of the environmental effect associated with the operations.

1. EXISTING ROADS:

Exhibit A is a portion of the BLM map showing the well and roads in the vicinity of the proposed location. The proposed wellsite is located approximately 20 miles northwest of Carlsbad, New Mexico and the access route to the location is indicated in red and green on Exhibit A.

DIRECTIONS:

Go north of Carlsbad on Highway 285 to Highway 137. Turn west on Highway 137 and go approximately 14.3 miles to a cattle guard. Continue south for approx. 1 mile to another cattleguard. Turn left here on lease road to the Hickory Federal #2. This lease road also has a powerline and a pipeline along it go approx. .4 of a mile to the northwest corner of the well pad.

2. PLANNED ACCESS ROAD

A. There will be no new access road.
B. N/A
C. N/A
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 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 closest pit and obtain any permits and material 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 400' x 400' area has been staked and flagged.

10. PLANS FOR RESTORATION

   A. After finishing drilling and/or completion operations, all equipment and other material not needed for further operations will be removed. The location will be cleaned of all trash and junk to leave the wellsite in as aesthetically pleasing a condition as possible.
   B. Unguarded pits, if any, containing fluids will be fenced until they have dried and been leveled.
   C. If the proposed well is non-productive, all rehabilitation and/or vegetation requirements of the Bureau of Land Management will be complied with and will be accomplished as expeditiously as possible. All pits will be filled level after they have evaporated and dried.

11. SURFACE OWNERSHIP: Bureau of Land Management, Carlsbad, New Mexico.

12. OTHER INFORMATION:

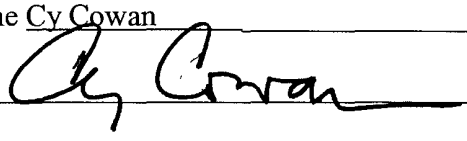
    A. Topography: Refer to the existing archaeological report for a description of the topography, flora, fauna, soil characteristics, dwellings, historical and cultural sites.
    B. The primary surface use is for grazing.

CERTIFICATION
YATES PETROLEUM CORPORATION
HOC Federal Com #3

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 14th day of September, 20 07.

Printed Name Cy Cowan

Signature 

Position Title Regulatory Agent

Address 105 South Fourth Street, Artesia, NM 88210

Telephone 505-748-4372

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) cy@ypcnm.com

VII. DRILLING

A. DRILLING OPERATIONS REQUIREMENTS

The BLM is to be notified a minimum of 2 hours in advance for a representative to witness:

a. Spudding well
b. Setting and/or Cementing of all casing strings
c. BOPE tests

☒ **Eddy County**
Call the Carlsbad Field Office, 620 East Greene St., Carlsbad, NM 88220, (575) 361-2822

1. A Hydrogen Sulfide (H2S) Drilling Plan should be activated 500 feet prior to drilling into the **Canyon** formation.

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. Floor controls are required for 3M or Greater systems. These 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.

B. CASING

1. The **9-5/8** inch surface casing shall be set at **approximately 1600** 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 compressive 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 compressive strength, whichever is greater.

d. If cement falls back, remedial action will be done prior to drilling out that string.

High cave/karst.
Possible lost circulation in the San Andres and Wolfcamp formations.
Possible high pressure gas bursts from the Wolfcamp formation and over pressure in the Pennsylvanian section.

2. The minimum required fill of cement behind the **7** inch production casing is:

   ☒ Cement to surface. If cement does not circulate, contact the appropriate BLM office.

3. 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 joints of the drill pipe will be installed prior to continuing drilling operations.

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. The appropriate BLM office shall be notified a minimum of 2 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.

   e. BOP/BOPE must be tested by an independent service company within 500 feet of the top of the **Wolfcamp** formation **if the time between the setting of the intermediate casing and reaching this depth exceeds 20 days**. This test

does not exclude the test prior to drilling out the casing shoe as per Onshore Order No. 2.

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.

E. DRILL STEM TEST

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

Engineer on call phone (after hours): **Carlsbad: (575) 706-2779**

WWI 112007