

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

*0-04-58*

*0281*

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

RECEIVED

FFR 0 4 2004

APPLICATION FOR PERMIT TO DRILL OR REENTER **CD-ARTESIA**

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

1a. Type of Work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. <b>NM-92742</b>
b. Type of Well: <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other <input type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		6. If Indian, Allottee or Tribe Name <b>Not Applicable</b>
2. Name of Operator <b>Yates Petroleum Corporation</b>		7. If Unit or CA Agreement, Name and No. <b>Not Applicable</b>
3A. Address <b>105 South Fourth Street Artesia, New Mexico 88210</b>		8. Lease Name and Well No. <b>Zingaro ANG Federal #3</b>
3b. Phone No. (include area code) <b>(505) 748-1471</b>		9. API Well No. <b>30-015-30531</b>
4. Location of Well (Report location clearly and in accordance with any State requirements. *) At surface <b>990' FNL &amp; 890' FEL</b> At proposed prod. Zone <b>same as above</b>		10. Field and Pool, or Exploratory <b>Indian Basin Upper Penn Assoc.</b>
14. Distance in miles and direction from nearest town or post office* <b>Approximately 37 miles southwest of Artesia, New Mexico</b>		11. Sec., T., R., M., or Blk, and Survey or Area <b>Section 1, T22S-R23E</b>
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) <b>890'</b>	16. No. of Acres in lease <b>1318.25</b>	17. Spacing Unit dedicated to this well <b>320.00</b>
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft.	19. Proposed Depth <b>8300'</b>	20. BLM/BIA Bond No. on file <b>Nationwide Bond #NM-2811</b>
21. Elevations (Show whether DF, KDB, RT, GL, etc.) <b>3928' GR</b>	22. Approximate date work will start* <b>ASAP</b>	23. Estimated duration <b>30 Days</b>
24. Attachments <b>ROSWELL CONTROLLED WATER BASIN</b>		

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 <i>Cy Cowan</i>	Name (Printed/Typed) <b>Cy Cowan</b>	Date <b>12/23/03</b>
-------------------------------	--------------------------------------	----------------------

Title: <b>Regulatory Agent/Land Department</b>		
Approved by (Signature) <i>/s/ Joe G. Lara</i>	Name (Printed/Typed) <b>/s/ Joe G. Lara</b>	Date <b>2 JAN 2004</b>

Title <b>ACTING FIELD MANAGER</b>	Office <b>CARLSBAD FIELD OFFICE</b>
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Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

Conditions of approval, if any, are attached.

**APPROVAL FOR 1 YEAR**

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

\*(Instructions on reverse)

APPROVAL SUBJECT TO  
GENERAL REQUIREMENTS  
AND SPECIAL STIPULATIONS  
ATTACHED

**Witness Surface Casing.**

**1625 N. French Dr., Hobbs, NM 88240**

**State of New Mexico**  
**Energy, Minerals & Natural Resources Department**

Form C-102  
Revised August 15, 2000

## District II

**811 South First, Artesia, NM 88210**

**OIL CONSERVATION DIVISION**  
1220 South St. Francis Dr.  
Santa Fe, NM 87505

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

### District III

**1000 Rio Brazos Rd., Aztec, NM 87410**

### District IV

**1220 S. St. Francis Dr., Santa Fe, NM 87505**

☐ AMENDED REPORT

## WELL LOCATION AND ACREAGE DEDICATION PLAT

<sup>1</sup> API Number <b>30-015-30531</b>	<sup>2</sup> Pool Code	<sup>3</sup> Pool Name <b>Indian Basin Upper Penn Associated</b>
<sup>4</sup> Property Code	<sup>5</sup> Property Name <b>ZINGARO ANG FEDERAL</b>	<sup>6</sup> Well Number <b>3</b>
<sup>7</sup> OGRID No. <b>025575</b>	<sup>8</sup> Operator Name <b>Yates Petroleum Corporation</b>	<sup>9</sup> Elevation <b>3928'</b>

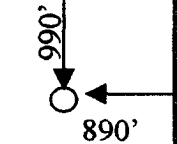
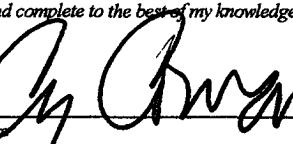
## <sup>10</sup> Surface Location

<b>UL or lot no.</b>	<b>Section</b>	<b>Township</b>	<b>Range</b>	<b>Lot Idn</b>	<b>Feet from the North/South line</b>	<b>Feet from the East/West line</b>	<b>County</b>
<b>A</b>	<b>1</b>	<b>22S</b>	<b>23E</b>		<b>990'</b>	<b>980'</b>	<b>Eddy</b>

<sup>11</sup> 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
<sup>12</sup> Dedicated Acres <b>80</b>	<sup>13</sup> Joint or Infill	<sup>14</sup> Consolidation Code			<sup>15</sup> 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

		<div style="border: 2px solid black; padding: 10px; margin-bottom: 10px;">  </div> <div style="text-align: center; font-size: 1.2em;">NM-92742</div>	<div>17</div> <div><b>OPERATOR CERTIFICATION</b></div> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</p> <div style="text-align: right;">  </div> <div>Signature</div> <div><b>Cy Cowan</b></div> <div>Printed Name</div> <div><b>Regulatory Agent</b></div> <div>Title</div> <div><b>12/23/2003</b></div> <div>Date</div>
			<div>18</div> <div><b>SURVEYOR CERTIFICATION</b></div> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</p> <div><b>REFER TO ORIGINAL PLAT</b></div> <div>Date of Survey</div> <div>Signature and Seal of Professional Surveyor:</div> <div style="border-top: 1px solid black; height: 20px; margin-top: 10px;"></div> <div>Certificate Number</div>

DISTRICT I  
1635 N. French Dr., Hobbs, NM 88240  
DISTRICT II  
611 South First, Artesia, NM 88210  
DISTRICT III  
1000 Rio Brazos Rd., Artesia, NM 87410  
DISTRICT IV  
2040 South Pacheco, Santa Fe, NM 87506

STATE OF NEW MEXICO  
Energy, Minerals and Natural Resources Department

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 30-015-30531	Pool Code	Pool Name Indian Basin Upper Penn Associated
Property Code	Property Name Zingaro ANG Federal	Well Number 3
OCED No. 025575	Operator Name YATES PETROLEUM CORPORATION	Elevation 3928'

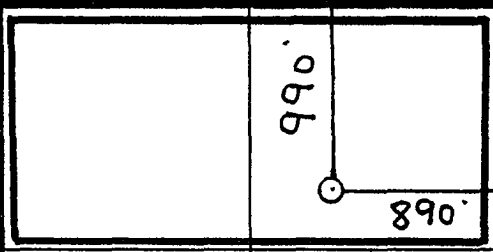

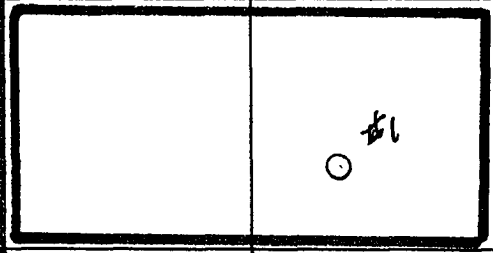
Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
A	1	22S	23E		990'	North	980'	East	Eddy

Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
Dedicated Acres 80	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

			<p><b>OPERATOR CERTIFICATION</b></p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</p> <p> Signature Cy Cowan Printed Name Regulatory Agent Title January 29, 2002 Date</p> <p><b>SURVEYOR CERTIFICATION</b></p> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</p> <p>REFER TO ORIGINAL PLAT.</p> <p>Date Surveyed Signature &amp; Seal of Professional Surveyor</p> <p>Certificate No. Herschel L. Jones RLS 3640 GENERAL SURVEYING COMPANY</p>
			

District I  
PO Box 1980, Hobbs, NM 88241-1980  
District II  
PO Drawer DD, Artesia, NM 88211-0719  
District III  
1000 Rio Brazos Rd., Aztec, NM 87410  
District IV  
PO Box 2088, Santa Fe, NM 87504-2088

State of New Mexico  
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION  
PO Box 2088  
Santa Fe, NM 87504-2088

Form C-102  
Revised February 10, 1994  
Instructions on back  
Submit to Appropriate District Office  
State Lease - 4 Copies  
Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-015-30531	Pool Code	Pool Name Indian Basin Upper Penn
Property Code	Property Name ZINGARO "ANG" FEDERAL	Well Number 3
OGRID No. 025575	Operator Name YATES PETROLEUM CORPORATION	Elevation 3928.

<sup>10</sup> Surface Location

UL or lot no.	Section	Township	Range	Lot Ida	Feet from the	North/South line	Feet from the	East/West line	County
A	1	22-S	23-E		990	NORTH	890	EAST	EDDY

<sup>11</sup> Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Ida	Feet from the	North/South line	Feet from the	East/West line	County

<sup>12</sup> Dedicated Acres 320	<sup>13</sup> Joint or Infill	<sup>14</sup> Consolidation Code	<sup>15</sup> 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

<div data-bbox="127 1058 1090 1990"> <p>16</p> <p>NM-92746</p> </div>	<p><sup>17</sup> OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</p> <p><i>Cy Cowan</i></p> <p>Signature Cy Cowan</p> <p>Printed Name Regulatory Agent</p> <p>Title 2/8/01</p> <p>Date</p>
	<p><sup>18</sup> SURVEYOR CERTIFICATION</p> <p>I hereby certify that the well location shown on this plat was placed from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</p> <p>OCTOBER 2001</p> <p>Date of Survey</p> <p>Signature and Seal of Professional Surveyor</p> <p>NEW MEXICO REGISTERED LAND SURVEYOR 5412 ENGINEER</p> <p>Certificate Number NM PRAPS NO 5412</p>

**YATES PETROLEUM CORPORATION**  
**Zingaro "ANG" Federal #3**  
990' FNL & 890' FEL  
Sec. 1-T22S-R23E  
Eddy County, New Mexico

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

San Andres	700'
Glorietta	2150'
Bone Springs	2750'
Wolf Camp	6700'
Canyon	7450'
TD	8300'

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

Water:	250' - 350'
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)

<u>Hole Size</u>	<u>Casing Size</u>	<u>Wt./Ft</u>	<u>Grade</u>	<u>Coupling</u>	<u>Interval</u>	<u>Length</u>	WITNESS
17 1/2"	13 3/8"	48#	H-40	ST&C	0-350'	350'	
12 1/4"	9 5/8"	36#	J-55	ST&C	0-2200'	2200'	
8 3/4"	7.0"	23#	J-55	LT&C	0-5500'	5500'	
8 3/4"	7.0"	26#	J-55	LT&C	5500'-7600'	2100'	
8 3/4"	7.0"	26#	N-80	LT&C	7600'-8300'	700'	

Minimum Casing Design Factors: Collapse 1.125, Burst 1.0, Joint Strength 2.0

- WITNESS B. Cementing Program:  
 Surface casing: 200 sx Lite (YLD 2.0 WT 12.6), tail with 200 sx "C" +2% CaCL2 (YLD 1.33 WT 15.6)  
 Intermediate Casing: 740 sx Lite (YLD 2.0 WT 12.6) tail in with 300 sx "C" + 2% CaCL2 (YLD 1.33 WE 15.6).  
 Production Casing: Stage I: 650 sx "H" + 5# CSE, (WT 15.1 YLD 1.32)).  
 Stage II 850 sx Lite (YLD 2.0 WT 15.6), tail in with 100 sx "C" (YLD 1.33 WT 15.6).

5. MUD PROGRAM AND AUXILIARY EQUIPMENT:

<u>Interval</u>	<u>Type</u>	<u>Weight</u>	<u>Viscosity</u>	<u>Fluid Loss</u>
0-350 '	FW Spud Mud	8.3-8.6	30-36	N/C
350'-2200'	FW	8.4	28	N/C
2200'-7300'	Cut Brine	8.9-9.6	29	N/C
7300'-8300'	SW Gel/Starch Drispac	8.9-9.6	34-36	<12cc

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, DLL w/RXO TD to casing.  
 Coring: None  
 DST's: As warranted.

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

Anticipated BHP:

From: 0	TO: 350'	Anticipated Max. BHP: <150	PSI
From: 350'	TO: 2200'	Anticipated Max. BHP: <900	PSI
From: 2200'	TO: 8300'	Anticipated Max. BHP: <4000	PSI

Abnormal Pressures Anticipated: None

Lost Circulation Zones Anticipated: Possible in surface and intermediate holes.

H2S Zones Anticipated: Possible Canyon

Maximum Bottom Hole Temperature: 150 F

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 20 days.

**MULTI-POINT SURFACE USE AND OPERATIONS PLAN**  
**Yates Petroleum Corporation**  
**Zingaro "ANG" Federal #3**  
990' FNL & 890' FEL  
Sec. 1-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 37 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 Highway 137. Turn west on Highway 137 and go approximately 12 miles. Turn west on caliche road and go approximately 0.3 of a mile. Turn new road starts here going north to the location.

**2. PLANNED ACCESS ROAD**

- A. The proposed new access will be approximately 1000' in length from the point of origin to the southeast corner of the drilling pad. The road will lie in a north to south direction.
- B. The new road will be 14 feet in width (driving surface) and will be adequately drained to control runoff and soil erosion.
- C. The new road will be bladed with drainage on one side. One traffic turnout will be built.
- D. The route of the road is visible.
- E. Existing roads will be maintained in the same or better condition.

**3. LOCATION OF EXISTING WELL**

- A. There is drilling activity within a one-mile radius of the 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 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.

13. OPERATOR'S REPRESENTATIVE

A. Through A.P.D. Approval:

Cy Cowan, Regulatory Agent  
Yates Petroleum Corporation  
105 South Fourth Street  
Artesia, New Mexico 8821  
Phone (505) 748-1471

B. Through Drilling Operations,  
Completions and Production:

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

14. CERTIFICATION:

I hereby certify that I, or persons under my direct supervision, have inspected the proposed drill site and access route, that I am familiar with the conditions which presently exist; that the statements made in this plan are to the best of my knowledge, true and correct; and , that the work associated with the operations proposed herein will be performed by Yates Petroleum Corporation and its contractors and subcontractors in conformity with this plan and the terms and conditions under which it is approved. This statement is subject to the provisions of 18 U.S.C. 1001 for the filing of a false statement.

12/23/2003

  
Regulatory Agent

# Yates Petroleum Corporation

Location Layout for Permian Basin

Up to 12,000'

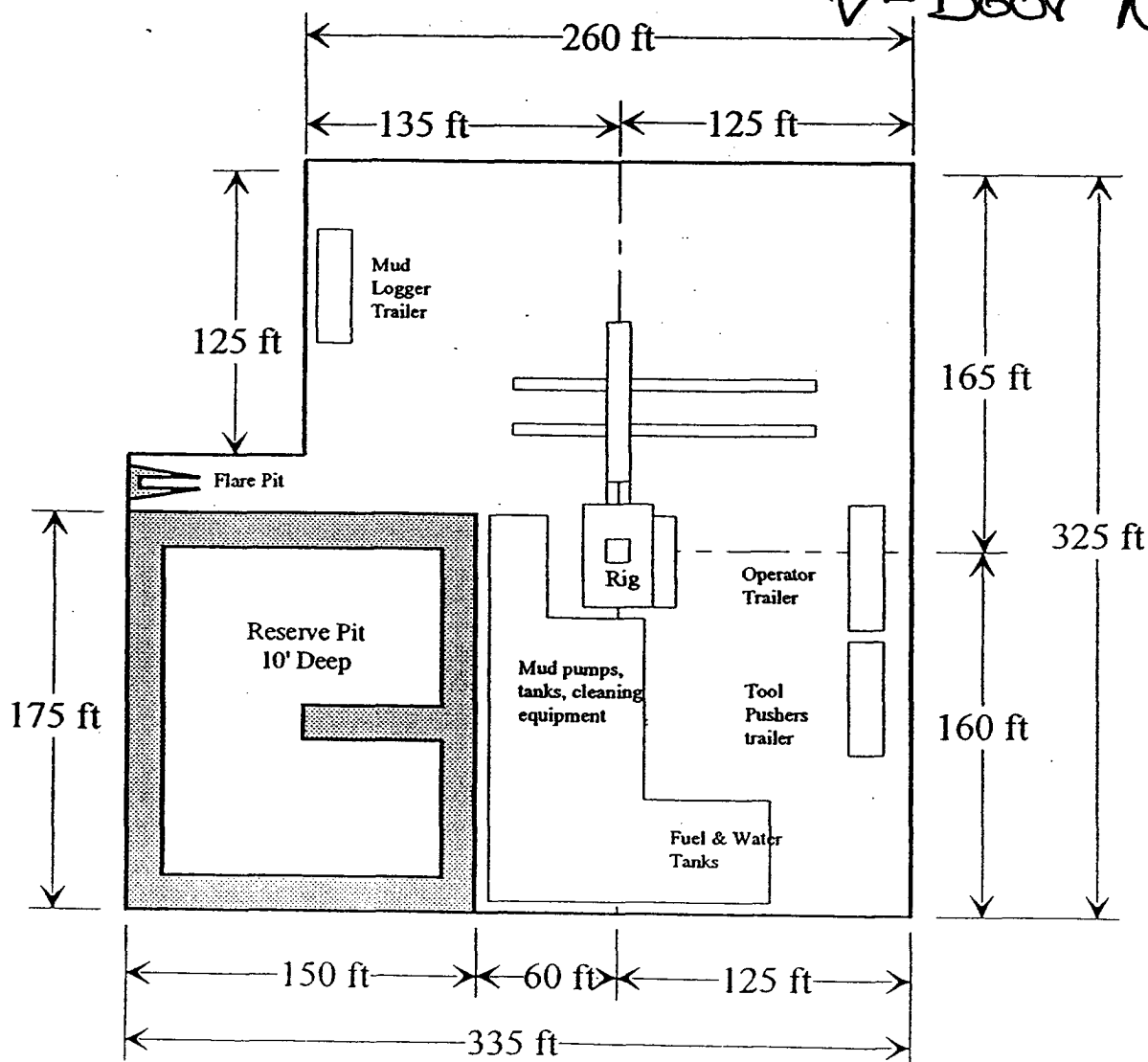
## Yates Petroleum Corporation

105 SOUTH 4th STREET

ARTESIA, NEW MEXICO 88210

Zingaro ANG Federal #3  
990' FNL and 890' FEL  
Section 1, T22S-R23E  
Eddy County, New Mexico  
NM-92742

*Rits to the  
Northwest  
V-Door NE.*



Distance from Well  
Head to Reserve Pit  
will vary between rigs

The above dimension  
should be a maximum



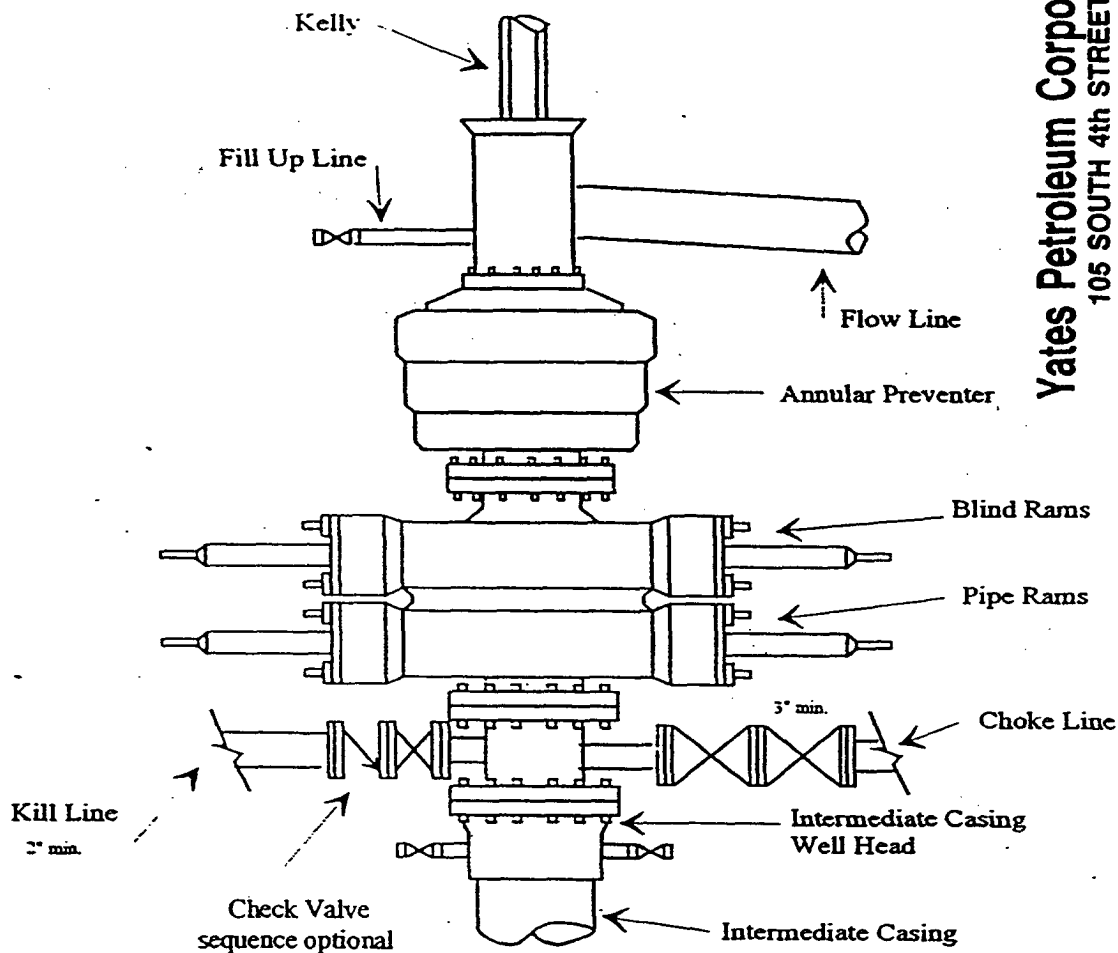
# Yates Petroleum Corporation

BOF-3

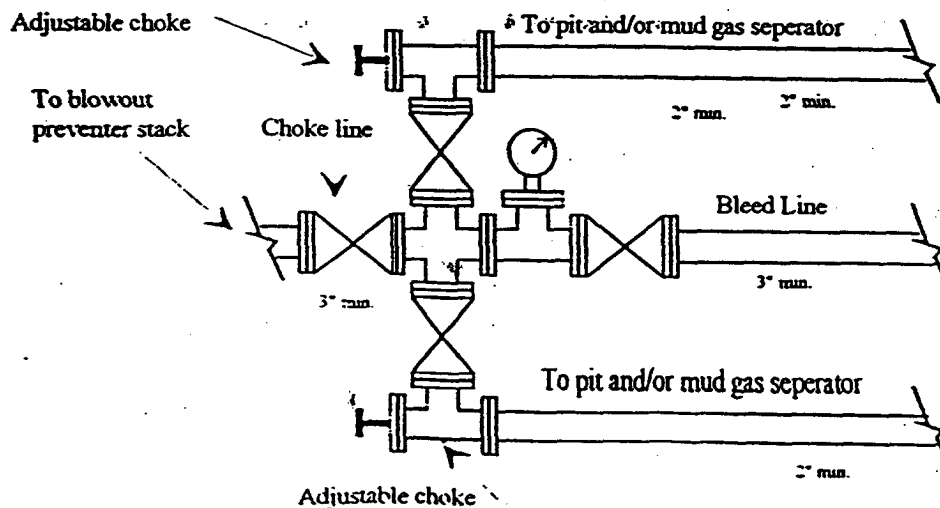
Typical 3,000 psi Pressure System  
Schematic  
Annular with Double Ram Preventer Stack

**Yates Petroleum Corporation**  
105 SOUTH 4th STREET  
ARTESIA, NEW MEXICO 88210

Zingaro ANG Federal #3  
990' FNL and 890' FEL  
Section 1, T22S-R23E  
Eddy County, New Mexico



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



**Yates Petroleum Corporation**  
105 SOUTH 4th STREET  
ARTESIA, NEW MEXICO 88210

Zingaro ANG Federal #3  
990' FNL and 890' FEL  
Section 1, T22S-R23E  
Eddy County, New Mexico  
NM-92742

**Directions to Location**

GO SOUTH OF ARTESIA ON HIGHWAY 285 TO HIGHWAY 137. TURN  
WEST ON HIGHWAY 137 AND GO APPROXIMATELY 12 MILES. TURN  
WEST ON CALICHE ROAD AND GO APPROXIMATELY .03THS OF A  
MILE. THE NEW ROAD STARTS HERE GOING NORTH TO LOCATION.

