

District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy Minerals and Natural Resources

Form C-101
March 4, 2004

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

Submit to appropriate District Office
State Lease - 6 Copies
Fee Lease - 5 Copies

RECEIVED

SEP 24 2004

☐ AMENDED REPORT

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE

¹ Operator Name and Address Yates Petroleum Corporation 105 South Fourth Street Artesia, NM 88210		² OGRID Number 025575 API Number 30 - 015 31905
³ Property Code	⁵ Property Name Metropolis Disposal	⁶ Well No.

⁷ Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
K	36	18S	25E		1650'	South	1650'	West	Eddy

⁸ Proposed 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
⁹ Proposed Pool 1 Devonian					¹⁰ Proposed Pool 2				

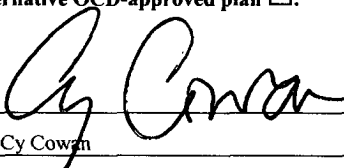
Drilling Pit Location and Other Information

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
K	36	18S	25E		1650'	South	1650'	West	Eddy
Depth to ground water 270'				Distance from nearest fresh water well 1300'			Distance from nearest surface water 1.1 miles		
¹¹ Work Type Code D		¹² Well Type Code I		¹³ Cable/Rotary R		¹⁴ Lease Type Code S		¹⁵ Ground Level Elevation 3498'	
¹⁶ Multiple N		¹⁷ Proposed Depth 11400'		¹⁸ Formation Devonian		¹⁹ Contractor Not Determined		²⁰ Spud Date ASAP	

²¹ Proposed Casing and Cement Program

Hole Size	Casing Size	Casing weight/foot	Setting Depth	Sacks of Cement	Estimated TOC
17 1/2"	13 3/8"	48#	404'	450 sx	In Place
12 1/4"	8 5/8"	24#	1203'	600 sx	In Place
8 5/8"	5 1/2"	15.5#-17#	9900'	2050 sx	Surface

22 Describe the proposed program. If this application is to DEEPEN or PLUG BACK, give the data on the present productive zone and proposed new productive zone. Describe the blowout prevention program, if any. Use additional sheets if necessary.
Yates Petroleum Corporation proposes to deepen to the Devonian Formation. 403' of surface casing has been set and cement circulated to shut off gravel and cavings.
MUD PROGRAM: 0-11,400' Salt Gel/Starch/4% - 6% KCL.
BOPE PROGRAM: A 5000# BOPE will be installed on the 8 5/8" casing and tested daily.

²³ I hereby certify that the information given above is true and complete to the best of my knowledge and belief. I further certify that the drilling pit will be constructed according to NMOCD guidelines <input type="checkbox"/> , a general permit X or an (attached) alternative OCD-approved plan <input type="checkbox"/> .		OIL CONSERVATION DIVISION	
Signature: 		Approved by: TIM W. GUM DISTRICT II SUPERVISOR	
Printed name: Cy Cowan		Title:	
Title: Regulatory Agent		Approval Date: SEP 29 2004	Expiration Date: SEP 29 2005
E-mail Address: debbiec@ypcn.com			
Date: 9/23/04	Phone: (505) 748-4372	Conditions of Approval: Attached <input type="checkbox"/>	

NOTIFY OCD TO WITNESS
ALL CASING STRINGS

SWD Order 936
Drill only

DISTRICT I
1626 N. French St., Hobbs, NM 88240

DISTRICT II
911 South First, Artesia, NM 88210

DISTRICT III
1000 Elie Branch Rd., Artesia, NM 87410

DISTRICT IV
2246 South Pacheco, Santa Fe, NM 87506

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
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
		Chester
Property Code	Property Name	Well Number
	METROPOLIS "AZL" STATE COM.	1
OGHD No.	Operator Name	Elevation
025575	YATES PETROLEUM CORPORATION	3498

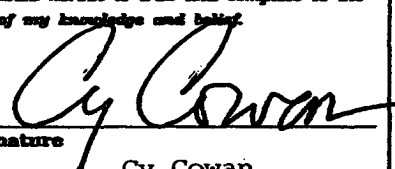
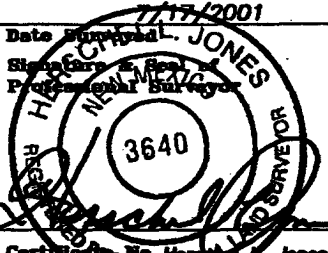
Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
K	36	18S	25E		1650	SOUTH	1650	WEST	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	Joint or Infill	Consolidation Code	Order No.						
320									

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

				OPERATOR CERTIFICATION <i>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</i>  Signature Cy Cowan Printed Name Regulatory Agent Title July 20, 2001 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> Date surveyed 7/17/2001  Signature L. Jones Certified by L. Jones RLS 3640 GENERAL SURVEYING COMPANY	
VO-4917 EXP 8/1/01		N.32°42'08.3" W.104°26'30.0"		E-10165	
1650'		1650'			

YATES PETROLEUM CORPORATION

Metropolis Disposal #1

Drilling Prognosis

Page 2

This well was originally drilled by Yates Petroleum Corporation as the Metropolis AZL State Com. #1. It was spudded on August 1, 2001 and TD was reached on September 2, 2001.

Agave Energy Company proposes to re-enter this to be used as a saltwater and acid gas disposal well. A drilling rig will be used to drill out the cement plugs in the 13 3/8" casing, 8 5/8" casing, and the open hole to 8911'. The well will then be deepened to the Granite Formation at 11,400'. A plastic-coated or nickel-plated packer will be set at 9800'. A string of 5 1/2" casing will be run to 9900' and cemented with 2050 sacks of Super C Modified. The well will be an open hole disposal well from 9900' to 11,400'. The injection formations will be the Devonian and Ellenburger when work is completed.

MUD PROGRAM: Salt Gel/ Starch/4-6% KCL (Weight: 9.5-10, Vis: 40-45).

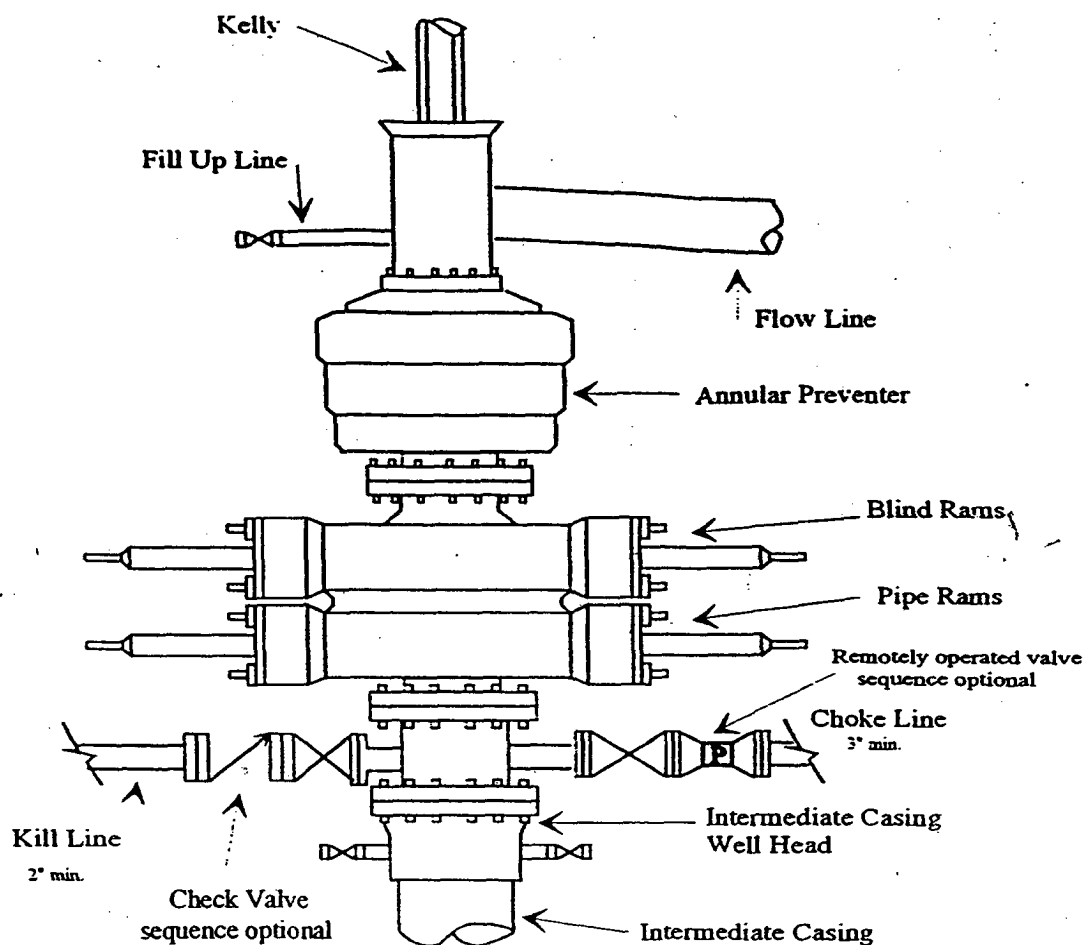
BOPE PROGRAM: 5000 # BOPE will be nipped up on 8 5/8 in casing.



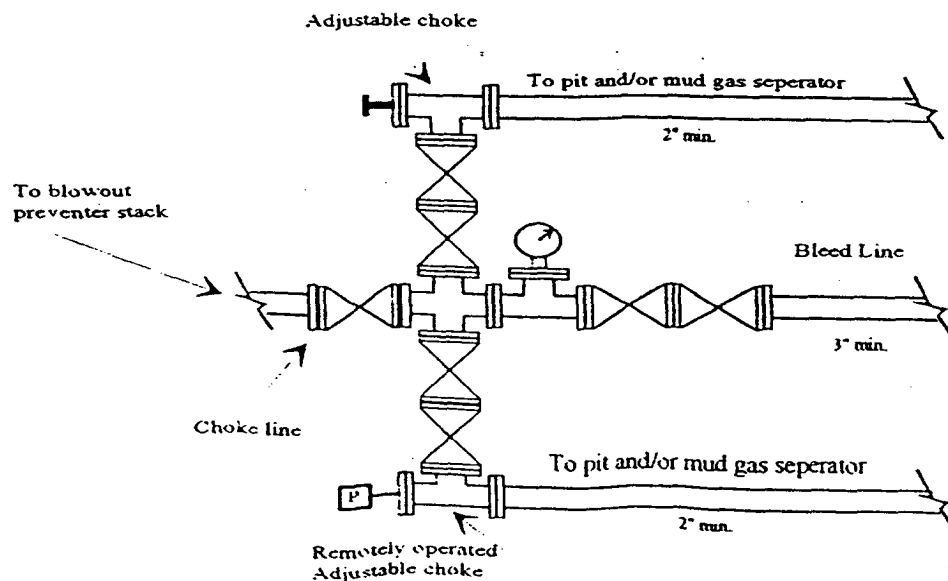
Yates Petroleum Corporation

Typical 5,000 psi Pressure System Schematic Annular with Double Ram Preventer Stack

BOP-4



Typical 5,000 psi choke manifold assembly with at least these minimum features



MARTIN YATES, III
1912 - 1985
FRANK W. YATES
1936 - 1986



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210-2118
TELEPHONE (505) 748-1471

S. P. YATES
CHAIRMAN OF THE BOARD
JOHN A. YATES
PRESIDENT
PEYTON YATES
EXECUTIVE VICE PRESIDENT
RANDY G. PATTERSON
SECRETARY
DENNIS G. KINSEY
TREASURER

September 24, 2004

To: Bryan Arant
From: Cy Cowan

Re: Yates Petroleum Corporation
Metropolis Disposal #1
H2S Contingency Plan

Sources at Yates Petroleum Corporation have relayed information to me that they believe there will not be enough H2S found from the surface through the Devonian Formation to meet the OCD's minimum requirements for the submission of a contingency plan per Rule 118.

Thank you,

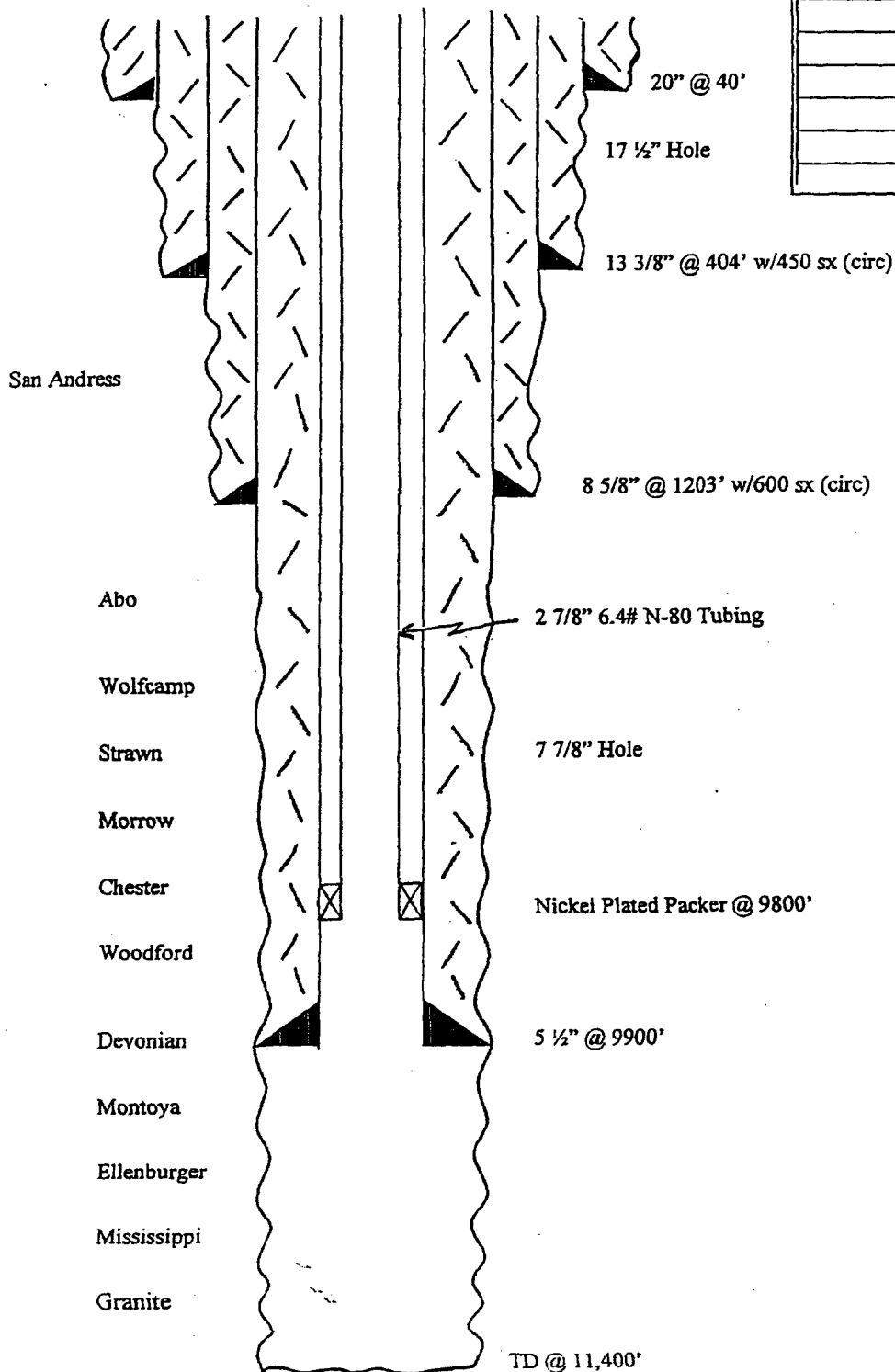
YATES PETROLEUM CORPORATION

Cy Cowan
Regulatory Agent

WELL NAME: Metropolis 'AZL' State Com #1 FIELD: _____
 LOCATION: 36-18S-25E 1650' FSL & 1650' FWL
 GL: 3498' ZERO: _____ KB: _____
 SPUD DATE: _____ COMPLETION DATE: _____
 COMMENTS: Propose to re-enter, deepen to 11,400' and
 convert to a disposal well.

CASING PROGRAM

20" NA	40'
13 3/8" 48# H-40	404'
8 5/8" 24# J-55	1203'
5 1/2" 15.5#	9900'

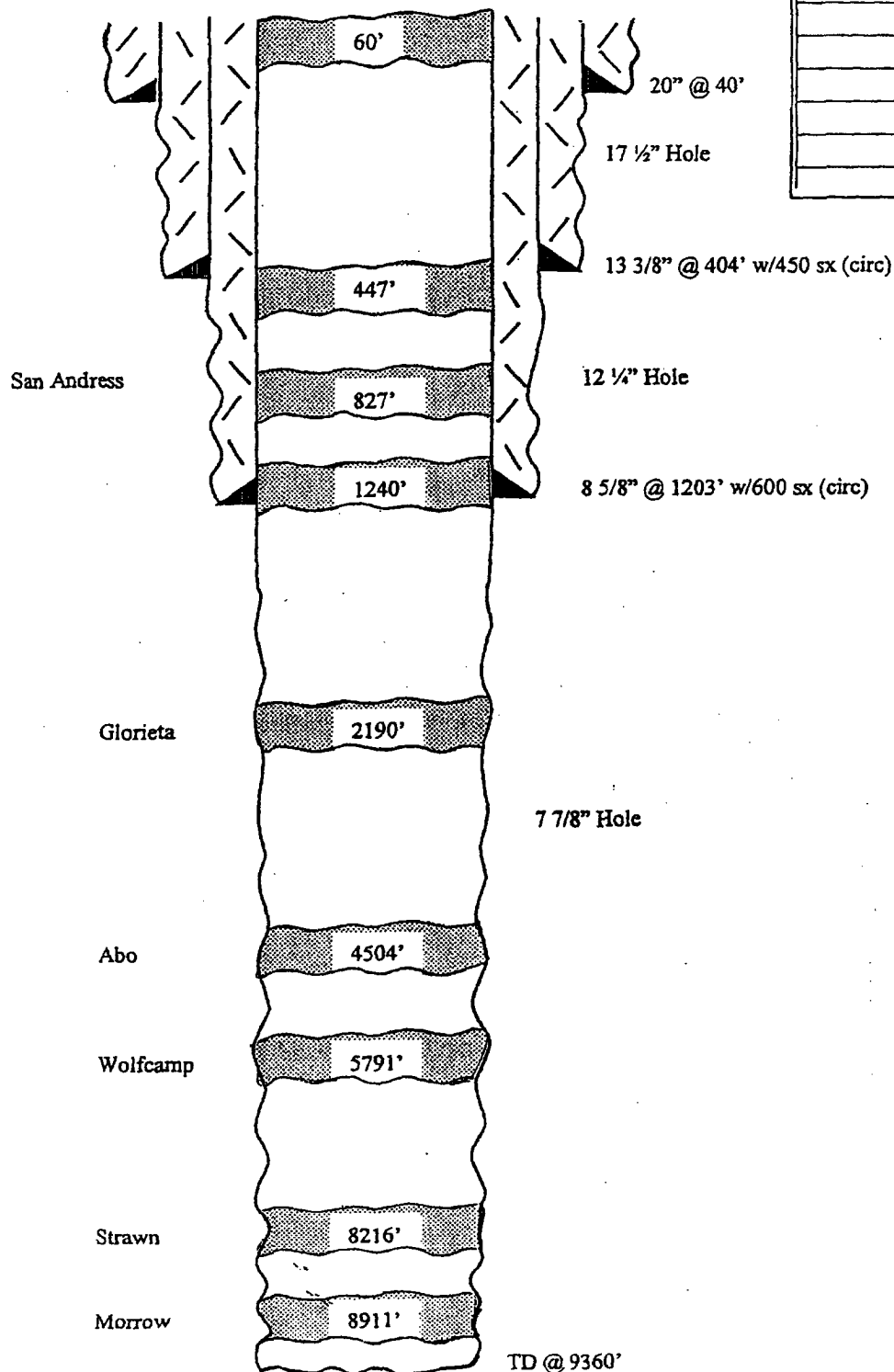


Proposed
Status

WELL NAME: Metropolis 'AZL' State Com #1 FIELD: _____
 LOCATION: 36-18S-25E 1650' FSL & 1650' FWL
 GL: 3498' ZERO: _____ KB: _____
 SPUD DATE: 08/01/01 COMPLETION DATE: _____
 COMMENTS: P & A 09/23/01

CASING PROGRAM

20" NA	40'
13 3/8" 48# H-40	404'
8 5/8" 24# J-55	1203'



Current
Status



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor
Joanna Prukop
Cabinet Secretary

Mark E. Fesmire, P.E.
Director
Oil Conservation Division

ADMINISTRATIVE ORDER SWD-936

APPLICATION OF AGAVE ENERGY COMPANY FOR ACID GAS AND PRODUCED WATER DISPOSAL, EDDY COUNTY, NEW MEXICO.

ADMINISTRATIVE ORDER OF THE OIL CONSERVATION DIVISION

Under the provisions of Rule 701(B), Agave Energy Company made application to the New Mexico Oil Conservation Division on August 16, 2004, for permission to utilize for acid gas and produced water disposal its Metropolis "AZL" State Com Well No. 1 (API No. 30-015-31905) located 1,650 feet from the South line and 1,650 feet from the West line of Section 36, Township 18 South, Range 25 East, NMPM, Eddy County, New Mexico.

THE DIVISION DIRECTOR FINDS THAT:

- (1) The application has been duly filed under the provisions of Rule 701(B) of the Division Rules and Regulations;
- (2) Satisfactory information has been provided that all offset operators and surface owners have been duly notified;
- (3) The applicant has presented satisfactory evidence that all requirements prescribed in Rule 701 will be met; and
- (4) No objections have been received within the waiting period prescribed by said rule.

IT IS THEREFORE ORDERED THAT:

The applicant is hereby authorized to utilize its Metropolis "AZL" State Com Well No. 1 (API No. 30-015-31905) located 1,650 feet from the South line and 1,650 feet from the West line of Section 36, Township 18 South, Range 25 East, NMPM, Eddy County, New Mexico, in such manner as to permit the injection of acid gas and produced water for disposal purposes into the Devonian and Ellenburger formations through an open-hole completion from 9,900 feet to 11,400 feet and through 2-7/8 inch plastic-lined tubing set in a packer located within 100 feet of the top of the injection interval.

IT IS FURTHER ORDERED THAT:

The operator shall take all steps necessary to ensure that the injected water enters only the proposed injection interval and is not permitted to escape to other formations or onto the surface.

During deepening operations, the operator shall monitor the well for hydrocarbon shows. **A copy of this mudlog and a letter containing the estimated static bottom hole pressure of the injection interval shall be supplied to the Artesia district office of the Division.**

After installing injection tubing **and annually thereafter**, the casing shall be pressure tested from the surface to the packer setting depth to assure the integrity of said casing.

The casing-tubing annulus shall be loaded with an inert fluid and equipped with a pressure gauge or an approved leak detection device in order to determine leakage in the casing, tubing, or packer.

The operator shall record injection rates and pressures on a daily basis and report these readings annually, or more often if requested, in chart form to the engineering bureau of the Division in Santa Fe with a copy to the Artesia office of the Division. This chart shall be labeled with the well name, the API number, and this permit number.

The wellhead injection pressure on the well shall be limited to **no more than 1,980 psi**. In addition, the injection well or system shall be equipped with a pressure limiting device in workable condition which shall, at all times, limit surface injection pressure to the maximum allowable pressure for this well.

The Director of the Division may authorize an increase in injection pressure upon a proper showing by the operator of said well that such higher pressure will not result in migration of the injected fluid from the injection formation. Such proper showing shall consist of a valid step-rate test run in accordance with and acceptable to this office.

The operator shall notify the supervisor of the Artesia district office of the Division of the date and time of the installation of disposal equipment and of any mechanical integrity test so that the same may be inspected and witnessed.

The operator shall immediately notify the supervisor of the Artesia district office of the Division of the failure of the tubing, casing, or packer in said well and shall take such steps as may be timely and necessary to correct such failure or leakage.

PROVIDED FURTHER THAT, jurisdiction is retained by the Division for the entry of such further orders as may be necessary for the prevention of waste and/or protection of correlative rights or upon failure of the operator to conduct operations (1) to protect fresh water or (2) consistent with the requirements in this order, whereupon the Division may, after notice and hearing, terminate the injection authority granted herein.

The operator shall provide written notice of the date of commencement of injection to the Artesia district office of the Division.

The operator shall submit monthly reports of the disposal operations on Division Form C-115, in accordance with Rule Nos. 706 and 1120 of the Division Rules and Regulations.

The injection authority granted herein shall terminate one year after the effective date of this order if the operator has not commenced injection operations into the subject well, provided however, the Division, upon written request by the operator, may grant an extension thereof for good cause shown.

Approved at Santa Fe, New Mexico, on this 31st day of August 2004.



MARK E. FESMIRE, P.E.

Director

MEF/wvj

cc: Oil Conservation Division – Artesia
State Land Office – Minerals Management