

0042

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

5. Lease Serial No.
NM 111398
6. If Indian, Allottee or Tribe Name

1a. Type of work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		RECEIVED DEC 16 2005		7. If Unit or CA Agreement, Name and No. 35348	
1b. Type of Well: <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other		<input type="checkbox"/> Single Zone <input checked="" type="checkbox"/> Multiple Zone		8. Lease Name and Well No. North Hess Federal "23" #1	
2. Name of Operator Yates Energy Corporation 25542		3a. Address P. O. Box 2323, Roswell, NM		9. API Well No. 30-015-34509	
		3b. Phone No. (include area code) 505-632-4935 78380		10. Field and Pool, or Exploratory Hess Morrow East	
4. Location of Well (Report location clearly and in accordance with any State requirements.) At surface 1955' FSL & 710' FEL 1550 FSL & 860 FEL At proposed prod. zone 1955' FSL & 710' FEL 1550' 860' FEL ROR attached SN dated 11/21/05				11. Sec., T. R. M. or Blk. and Survey or Area Sec. 23, T-23S, R-23E	
14. Distance in miles and direction from nearest town or post office* 40 miles from Carlsbad, NM		15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 710'		12. County or Parish Eddy	
		16. No. of acres in lease 1902		13. State NM	
		17. Spacing Unit dedicated to this well 320			
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. -----		19. Proposed Depth 10,650		20. BLM/BIA Bond No. on file 585667	
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 4117.4 GL 4120.9		22. Approximate date work will start* 11-15-05		23. Estimated duration 45 days drilling	
		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 an 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 authorized officer.

25. Signature <i>Sheryl L. Jonas</i>	Name (Printed/Typed) Sheryl L. Jonas	Date 09-16-05
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Title
Agent for Yates Energy Corporation

Approved by (Signature) /s/ Joe G. Lara	Name (Printed/Typed) /s/ Joe G. Lara	Date DEC 14 2005
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Title ACTING FIELD MANAGER	Office CARLSBAD FIELD OFFICE
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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 page 2)

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

Witness Surface Casing

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

OCD-ARTESIA
UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

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

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to re-enter an abandoned well. Use Form 3160-3 (APD) for such proposals.

SUBMIT IN TRIPLICATE- Other instructions on reverse side.

<p>1. Type of Well <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other</p> <p>2. Name of Operator <u>Yates Energy Corporation</u></p> <p>3a. Address <u>P. O. Box 2323, Roswell, NM 88202</u></p> <p>3b. Phone No. (include area code) <u>(505) 623-4935</u></p> <p>4. Location of Well (Footage, Sec., T., R., M., or Survey Description) <u>1550' FSL & 860' FEL of Sec. 23, T23S, R23E</u></p>	<p>5. Lease Serial No. <u>NM111398</u></p> <p>6. If Indian, Allottee or Tribe Name</p> <p>7. If Unit or CA/Agreement, Name and/or No.</p> <p>8. Well Name and No. <u>North Hess Federal "23" No. 1</u></p> <p>9. API Well No.</p> <p>10. Field and Pool, or Exploratory Area <u>Hess Morrow East</u></p> <p>11. County or Parish, State <u>Eddy, New Mexico</u></p>
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12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION			
<input type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize	<input type="checkbox"/> Deepen	<input type="checkbox"/> Production (Start/Resume)	<input type="checkbox"/> Water Shut-Off
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Fracture Treat	<input type="checkbox"/> Reclamation	<input type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete	<input checked="" type="checkbox"/> Other <u>Change Location</u>
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> Water Disposal	

13. Describe Proposed or Completed Operation (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recomplete horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompletion in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

Due to an archaeological sight problem, the location for this well has been amended as follows:

1550' FSL & 860' FEL of Sec. 23, T23S, R23E, Eddy County, New Mexico

The Elevation will change to 4120.9' GL

14. I hereby certify that the foregoing is true and correct

Name (Printed/Typed) <u>Sheryl L. Jonas</u>	Title <u>Agent for Yates Energy Corporation</u>
Signature	Date <u>11/21/05</u>

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by <u>/s/ Joe G. Lara</u> ACTING FIELD MANAGER	Date <u>DEC 14 2005</u>
Conditions of approval, if any, are attached. Approval of this notice 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.	Office <u>CARLSBAD FIELD OFFICE</u>

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.

State of New Mexico

Energy, Minerals and Natural Resources Department

DISTRICT I

1625 W. FRENCH DR., HOBBS, NM 88240

Form C-102

Revised JUNE 10, 2003

DISTRICT II

1301 W. GRAND AVENUE, ARTESIA, NM 88210

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

OIL CONSERVATION DIVISION
1220 SOUTH ST. FRANCIS DR.
Santa Fe, New Mexico 87505

DISTRICT III

1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV

1220 S. ST. FRANCIS DR., SANTA FE, NM 87505

WELL LOCATION AND ACREAGE DEDICATION PLAT

AMENDED REPORT

API Number		Pool Code	Pool Name	
		78380	Hess Morrow East	
Property Code	Property Name			Well Number
	NORTH HESS FEDERAL 23			1
OGRID No.	Operator Name			Elevation
025542	YATES ENERGY CORPORATION			4121'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
1	23	23-S	23-E		1550	SOUTH	860	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	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

<p style="text-align: center;">GEODETTIC COORDINATES NAD 27 NME</p> <p style="text-align: center;">Y=467913.3 N X=428459.2 E</p> <p style="text-align: center;">LAT.=32°17'10.31" N LONG.=104°33'53.41" W</p>	<p style="text-align: center;">OPERATOR CERTIFICATION</p> <p style="text-align: center;"><i>I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.</i></p> <p style="text-align: center;"><i>Sheryl L. Jonas</i> Signature</p> <p style="text-align: center;">Sheryl L. Jonas Printed Name</p> <p style="text-align: center;">Agent for Yates Energy Corp. Title</p> <p style="text-align: center;">November 21, 2005 Date</p>
	<p style="text-align: center;">SURVEYOR CERTIFICATION</p> <p style="text-align: center;"><i>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</i></p> <p style="text-align: center;">NOVEMBER 14, 2005</p> <p style="text-align: center;">Date Surveyed _____ LA</p> <p style="text-align: center;">Signature & Seal of Professional Surveyor</p> <p style="text-align: center;"><i>Gary Eidson</i> 05.11.1763</p>
	<p style="text-align: center;">Certificate No. GARY EIDSON 12841</p>

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-144
June 1, 2004

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

For drilling and production facilities, submit to appropriate NMOCD District Office.
For downstream facilities, submit to Santa Fe office

RECEIVED

Pit or Below-Grade Tank Registration or Closure

SEP 30 2005

Is pit or below-grade tank covered by a "general plan"? Yes No

OCD-ARTESIA

Type of action: Registration of a pit or below-grade tank Closure of a pit or below-grade tank

Operator: Yates Energy Corporation Telephone: 432-683-5511 e-mail address: cobriant@apex2000.net
Address: P. O. Box 2323, Roswell, NM 88202
Facility or well name: North Hess Fed "23" #1 API #: _____ U/L or Qtr/Qtr _____ Sec 23 T 23S R 23E
County: Eddy Latitude _____ Longitude _____ NAD: 1927 1983
Surface Owner: Federal State Private Indian

Pit	Below-grade tank	
Type: Drilling <input checked="" type="checkbox"/> Production <input type="checkbox"/> Disposal <input type="checkbox"/> Workover <input type="checkbox"/> Emergency <input type="checkbox"/> Lined <input checked="" type="checkbox"/> Unlined <input type="checkbox"/> Liner type: Synthetic <input checked="" type="checkbox"/> Thickness <u>12</u> mil Clay <input type="checkbox"/> Pit Volume _____ bbl <u>19,531</u> barrels	Volume: _____ bbl Type of fluid: _____ Construction material: _____ Double-walled, with leak detection? Yes <input type="checkbox"/> If not, explain why not. _____	
Depth to ground water (vertical distance from bottom of pit to seasonal high water elevation of ground water.)	Less than 50 feet	(20 points)
	50 feet or more, but less than 100 feet	(10 points)
	100 feet or more	(0 points) 0 points
Wellhead protection area: (Less than 200 feet from a private domestic water source, or less than 1000 feet from all other water sources.)	Yes	(20 points)
	No	(0 points) 0 points
Distance to surface water: (horizontal distance to all wetlands, playas, irrigation canals, ditches, and perennial and ephemeral watercourses.)	Less than 200 feet	(20 points)
	200 feet or more, but less than 1000 feet	(10 points)
	1000 feet or more	(0 points) 0 points
Ranking Score (Total Points)		0 points

If this is a pit closure: (1) Attach a diagram of the facility showing the pit's relationship to other equipment and tanks. (2) Indicate disposal location: (check the onsite box if you are burying in place) onsite offsite If offsite, name of facility _____. (3) Attach a general description of remedial action taken including remediation start date and end date. (4) Groundwater encountered: No Yes If yes, show depth below ground surface _____ ft. and attach sample results.

(5) Attach soil sample results and a diagram of sample locations and excavations.

Additional Comments:

I hereby certify that the information above is true and complete to the best of my knowledge and belief. I further certify that the above-described pit or below-grade tank has been/will be constructed or closed according to NMOCD guidelines a general permit , or an (attached) alternative OCD-approved plan .

Date: 09-27-05

Printed Name/Title Sheryl L. Jonas/Agent

Signature Sheryl L. Jonas

Your certification and NMOCD approval of this application/closure does not relieve the operator of liability should the contents of the pit or tank contaminate ground water or otherwise endanger public health or the environment. Nor does it relieve the operator of its responsibility for compliance with any other federal, state, or local laws and/or regulations.

Approval:

Field Supervisor

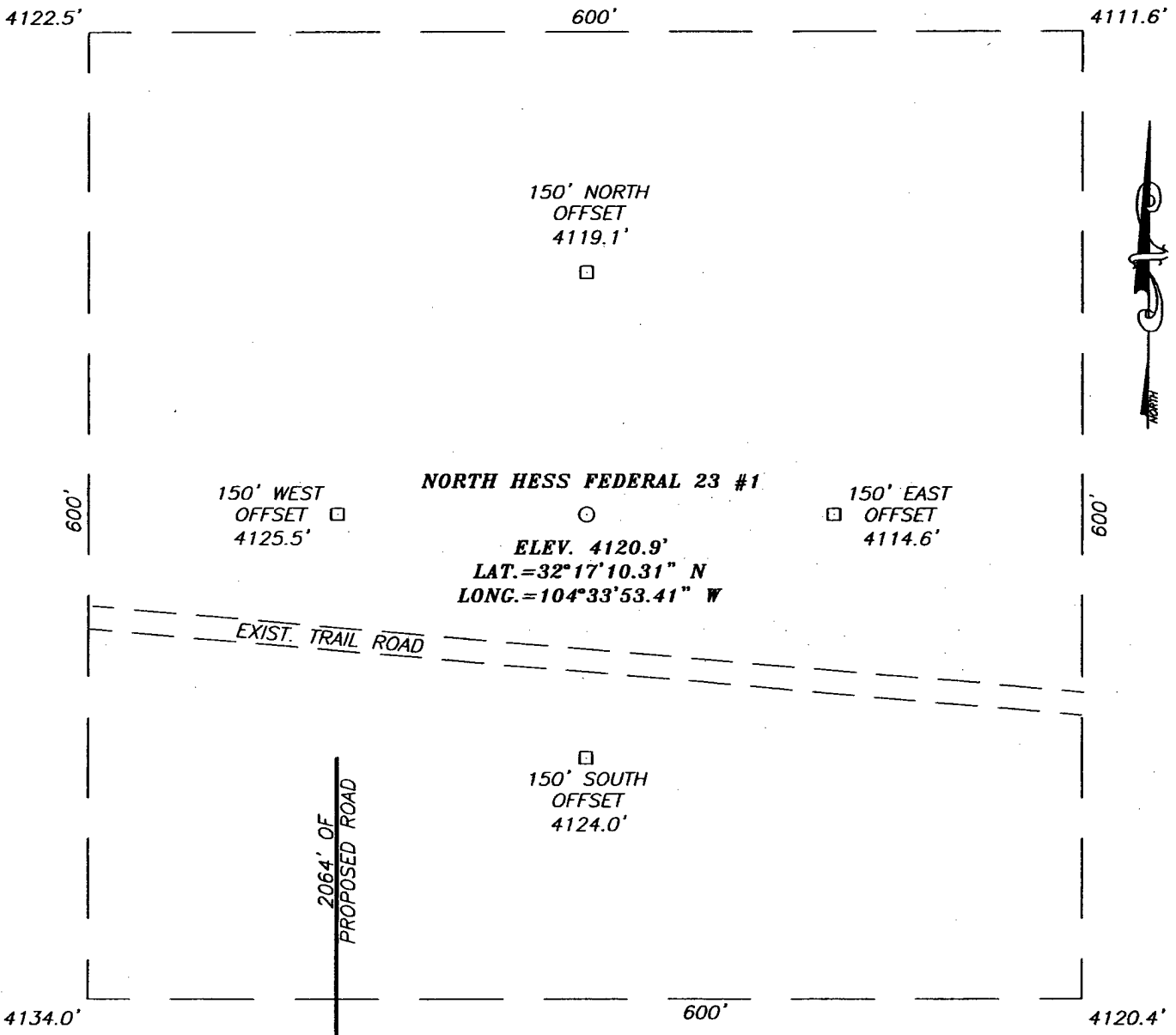
Printed Name/Title _____

Signature _____

[Signature]

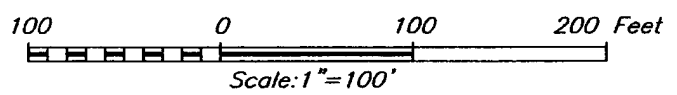
OCT 3 2005

SECTION 23, TOWNSHIP 23 SOUTH, RANGE 23 EAST, N.M.P.M.,
EDDY COUNTY, NEW MEXICO



DIRECTIONS TO LOCATION

FROM THE INTERSECTION ST. HWY. #137 AND SITTING BULL FALLS ROAD GO SOUTH ON ST. HWY. #137 APPROX. 1.0 MILES BEFORE MILE MARKER #31 TURN LEFT AND GO EAST APPROX. 0.7 MILES TO A "Y" INTERSECTION. TURN LEFT AND GO EAST APPROX. 2.1 MILES. TURN LEFT AND GO NORTH 0.2 MILES TO THE LONESOME DOVE FEDERAL #2 WELL. FOLLOW PROPOSED ROAD SURVEY NORTH APPROX. 0.4 MILES TO THIS LOCATION.



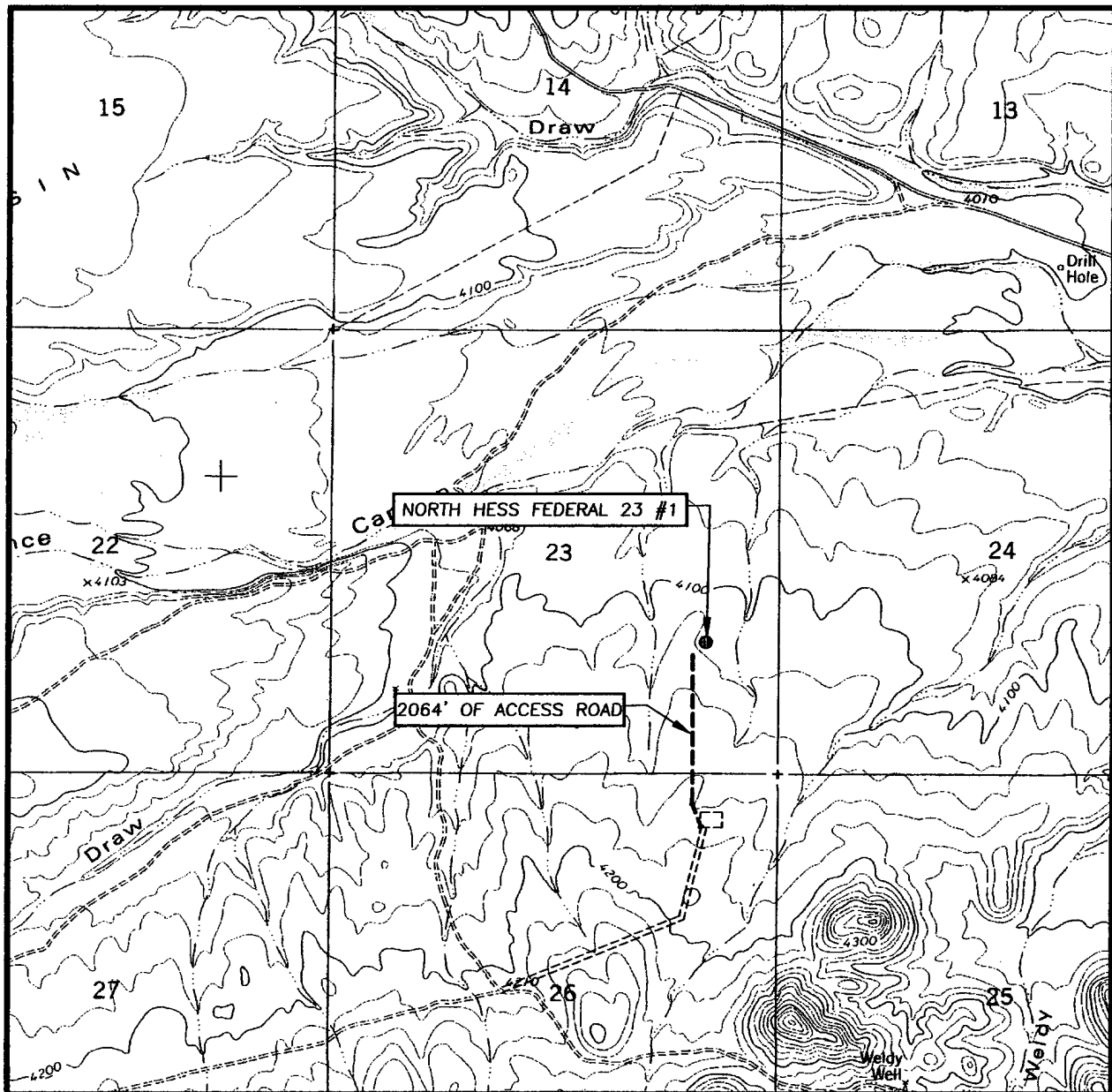
PROVIDING SURVEYING SERVICES SINCE 1948
JOHN WEST SURVEYING COMPANY
 412 N. DAL PASO
 HOBBS, N.M. 88240
 (505) 383-3117

YATES ENERGY CORPORATION

NORTH HESS FEDERAL 23 #1 WELL
 LOCATED 1550 FEET FROM THE SOUTH LINE
 AND 860 FEET FROM THE EAST LINE OF SECTION 23,
 TOWNSHIP 23 SOUTH, RANGE 23 EAST, N.M.P.M.,
 EDDY COUNTY, NEW MEXICO.

Survey Date: 11/14/05	Sheet 1 of 1 Sheets	
W.O. Number: 05.11.1763	Dr By: LA	Rev 1:N/A
Date: 11/18/05	Disk: CD#4	05111763 Scale: 1"=100'

LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL:
BANDANNA POINT, N.M. - 20'

SEC. 23 TWP. 23-S RGE. 23-E

SURVEY _____ N.M.P.M.

COUNTY EDDY

DESCRIPTION 1550' FSL & 860' FEL

ELEVATION 4121'

OPERATOR YATES ENERGY CORPORATION

LEASE NORTH HESS FEDERAL 23

U.S.G.S. TOPOGRAPHIC MAP
BANDANNA POINT, N.M.

PROVIDING SURVEYING SERVICES
SINCE 1946
JOHN WEST SURVEYING COMPANY
412 N. DAL PASO
HOBBS, N.M. 88240
(505) 363-3117

O'Briant and Associates, Inc.

P. O. Box 10487 Midland, TX, 79702
(432) 683 5511 (24 Hr. Ans), (432) 683 5903 (Fax)
E-Mail: cobriant@apex2000.net

STATEMENT ACCEPTING RESPONSIBILITY FOR OPERATIONS

Bureau of Land Management
2909 West 2nd Street
Roswell, New Mexico 88201-2019

Attn: *Armando*
~~Orlando~~ Lopez

Yates Energy corporation accepts all applicable terms, conditions, stipulations and restrictions concerning operations conducted on the leased land, or portion thereof, as described below:

Lease No.: NM-NM-111398

Legal Description: ~~1902~~ ³²⁰ acres including Section 23, T-23-S, R-23-E, ^{S2}
Eddy County, New Mexico

Well Name: North Hess Federal "23" No. 1

Formation(s): Strawn-Atoka-Morrow

Bond Coverage: Nationwide BLM Bond

BLM Bond File No.: 585667 ^{DOC#}, NM2202 ^{BOND#}

Authorized Signature: *Sheryl L. Jonas*
Representing Yates Energy Corporation

Name: Sheryl L. Jonas

Title: Agent for Yates Energy Corporation

Date: September 16, 2005

**Application to Drill
Yates Energy Corporation**

North Hess Federal "23" No. 1
S/2 Section 23, T23S-R23E
Eddy County, New Mexico

In response to questions asked under Onshore Oil & Gas order No. 1 the following information is provided for you consideration:

1. **Location:** 1955' FSL & 710' FEL Section 23, T23S-R23E
2. **Elevation:** 4117.4' GL 4132' KB
3. **Geologic name of surface formation:** Quaternary Aeolian Deposits
4. **Drilling tools and associated equipment:** Conventional rotary drilling rig using fluid as a circulating medium for solids removal.
5. **Proposed drilling depth:** 10,650'KB.
6. **Estimated tops of geological markers: (EST KB 4132')**

	SS	MD
Brushy Canyon	2924	1208
Bone Springs	1248	2884
1 st Bone Spring Sand	1947	2185
2 nd Bone Spring Sand	-18	4150
Wolfcamp	-2894	7026
L. Cisco-Canyon	-4037	8169
Strawn	-4659	8791
Atoka	-4907	9039
Morrow	-5456	9588
M. Morrow	-5735	9867
L. Morrow	-5941	10,073
Mississippian	-6083	10,215

7. **Possible mineral bearing formation:**

Strawn:	Oil
Atoka:	Gas
Morrow:	Gas

8. Proposed casing and cementing program:

A. Casing program:

<u>Hole size</u>	<u>Casing</u>	<u>Wt/Ft</u>	<u>Grade</u>	<u>Depth</u>
26.5"	20"	94#	H-40	0-30'
17.75"	13.375"	48-54.50#	H-40	0-350' WITNESS
12.25"/11.00"	8.625"	24-32#	J/K55	0-2600'
7.875"	4.5-5.5"	11.6-23#	L/N-80	0-10,650'

Minimum casing design factors: Collapse 1.2, Burst 1.1, Tensile strength 2.0.

B. Cementing Program:

Conductor: Fill annular space with ready mix.

Surface Casing: 450 sacks of Class "C" cement with 2% CaCl₂ and ¼# flocele.

Intermediate Casing: 800 sacks Interfill "C" with 5# Gilsonite/sk., ¼# flocele/sk., and 320 sacks Class "C" with 1% CaCl₂. Circulate cement to surface.

Production Casing: 1200 sacks Class H cement containing fluid loss additive, friction reducer additive, compressive strength enhancer, and NaCl. Shallower productive zones may be protected by utilizing and multiple stage cementing tool in the production casing below potentially productive zones and cementing with a light cement slurry.

*Yates Energy Corp. reserves the right to change cement designs as hole conditions may warrant.

10. Pressure Control Equipment:

An 11.0"/13.625" 3000 PSIG working pressure B.O.P. consisting of one set of blind rams and one set of pipe rams; 3000 psig annular type preventer; choke manifold; and 120 gallon accumulator with remote operating stations. Rotating head below 6000'. See Exhibit "E". Pressure tests with rig pump will be conducted prior to drilling out under all casing strings. A third party Safety Test Company will pressure test and record on chart the approved testing pressure of the BOP, Choke, Hydril, Kelly Cock Valves before we drill below the 8-5/8" casing. BOP controls will be installed prior to drilling under surface casing and will remain in use until completion of drilling operations. BOP's will be inspected and operated daily to insure mechanical integrity and the inspection will be recorded on the daily drilling report.

Kelly cock and a sub equipped with a full opening valve sized to fit the drill pipe and collars will be available on the rig floor in the open position when the Kelly is not in use.

11. Mud Program:

<u>Interval</u>	<u>Type System</u>	<u>Weight</u>	<u>Viscosity</u>	<u>Fluid Loss</u>
0' - 350'	FW Gel	8.4-9.4	34-36	NC
350' - 2600'	Fresh Water	8.3-9.5	28-32	NC
2600' - 8000'	Cut Brine	8.8-9.2	32-37	NC
8000' - 10,700'	Brine/Drispac Starch	9.0-9.2	32-50	5 - 10

Sufficient mud materials will be kept on location at all times in order to combat lost circulation, or unexpected kicks. In order to run DST's, open hole logs, and casing the viscosity and water loss may have to be adjusted in order to meet these needs. Mud system monitoring equipment with derrick floor indicators and visual/audio alarms shall be installed and operative prior to drilling into the Wolfcamp formation. This equipment will remain in use until production casing is run and cemented.

12. Evaluation Program:

- A. Samples: 10' samples from intermediate casing to TD.
- B. Logging: CNL/LDT/CAL/GR/DLL/CAL/GR/BHC
SONIC
- C. Coring: As needed for evaluation
- D. Drill Stem Tests: As needed for evaluation (possibly three).

13. Down hole Conditions:

- A. Zones of abnormal pressure: None anticipated.
- B. Zones of loss circulation: Anticipated in surface and Intermediate holes.
- C. Maximum bottom hole temperature: <200 degrees F
- D. Maximum bottom hole pressure: 4000 psig estimated

Adequate flare lines will be installed off the mud/gas separator, if installed, where gas may be flared safely. All personnel will be familiar with all aspects of safe operation of equipment being used.

Application to Drill
Yates Energy Corporation
North Hess Federal "23" No. 1
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14. Anticipated Starting Date:

Road and location construction will begin after BLM approval of APD. Anticipated spud date will be November 15, 2005. Drilling is expected to take 45 days with an additional 45 days will be required to complete and construct surface facilities.

15. Other Facets of Operations:

After running production casing, cased hole GR-CBL-Collar log will be run from total depth over possible pay intervals. The Morrow/Atoka pay will be perforated and stimulated. The well will be tested and potentialized as a gas well.

MULTI-POINT SURFACE USE AND OPERATIONS PLAN

YATES ENERGY CORPORATION

North Hess Federal "23" No. 1

S/2 Section 23, T23S, 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 restoring the surface so that a complete appraisal can be made of the environmental impact associated with the proposed operations.

1. Existing Roads: Area maps, Exhibit "B" is a reproduction of Eddy County General Highway Map. Exhibit "C" is a reproduction of a USGS Topographic Map, showing existing roads and proposed roads. All existing roads will be maintained in a condition equal to or better than current conditions. Any New roads will be constructed to BLM specifications.
 - A. Exhibit "A" shows the proposed well site as staked.
 - B. From the Intersection of State Hwy #137 and Co. Rd. #409 (Sitting Bull Falls Rd.) go south on St. Hwy. #137 approximately 1.0 mile before Marker #31 turn left and go east approximately 0.7 miles to a "Y" intersection. Turn left, go east approximately 2.1 miles. Turn left and go north 0.2 miles to the Lonesome Dove Federal #2 well. Follow proposed road survey north approximately 0.4 miles to location.
 - C. Construct power lines and lay pipelines that will be necessary to produce this lease along road ROW.
2. Planned Access Roads: There is 2210+/- feet of new access road planned.
3. Location of Existing Wells in a One-Mile Radius Exhibit "A".

A. Water wells-	None Known
B. Disposal wells-	None Known
C. Drilling wells-	None Known
D. Producing wells-	As shown on Exhibit "A"
E. Abandoned wells-	As shown on Exhibit "A"
4. If, on completion this well is a producer Yates Energy Corp. will furnish maps and/or plats showing on-site facilities or off-site facilities if needed. This will be accomplished with a Sundry Notice.

MULTI-POINT SURFACE USE AND OPERATIONS PLAN

YATES ENERGY CORPORATION

North Hess Federal "23" No. 1

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5. Location and type of Water Supply

Water will be purchased locally from a commercial source and trucked over the access roads or piped in flexible lines laid on top of the ground.

6. Source of Construction Material:

If possible construction material will be obtained from the excavation of drill site; if additional material is needed it will be purchased from local source and transported over the access route as shown on Exhibit "C".

7. Methods of handling Waste Material:

- A. Drill cuttings will be disposed of in the reserve pit.
- B. All trash, junk and other waste material will be contained in trash cages or bins to prevent scattering. When the job is completed all contents will be removed and disposed of in an approved sanitary landfill.
- C. The mud remaining after completion of well will be picked up by supplier, including broken sacks.
- D. Sewage from living quarters will drain into holes with a minimum depth of 10'. These holes will be covered during and will be back filled upon completion. A Porta-John will be provided for the rig crews. This equipment will be properly maintained during the drilling operations and removed upon completion of the well.
- E. Remaining drilling fluids will be allowed to evaporate in the reserve pit until the pit is dry enough for breaking out. In the event that drilling fluids do not evaporate in a reasonable time they will be hauled off by transports and be disposed of at a state approved disposal facility. Later pits will be broken out to speed drying. Water produced during testing will be put in reserve pits. Any oil or condensate produced will be stored in test tanks until sold and hauled from the site.

8. Ancillary Facilities:

No camps or airstrips to be constructed.

9. Well Site Layout:

- A. Exhibit "D" shows location and rig layout.
- B. This exhibit indicated proposed location of reserve and trash pits; and living facilities.
- C. Mud pits in the active circulating system will be steel pits and the reserve pit proposed will be lined.

MULTI-POINT SURFACE USE AND OPERATIONS PLAN

YATES ENERGY CORPORATION

North Hess Federal "23" No. 1

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- D. The reserve pit will be lined with PVC polyethylene liner. The pit liner will be 12 mil thick and extend a minimum 2.0' over the reserve pits dikes where the liner will be anchored down.
 - E. The reserve pit will be fenced on three sides with four strands of barbed wire during drilling and completion phases. The fourth side will be fenced after all drilling operations have ceased. If the well is a producer, the reserve pit fence will be torn down. The reserve pit and those areas of the location not essential to production facilities will be reclaimed and seeded per BLM requirements.
10. Plans for Restoration of Surface.
- A. Rehabilitation of the location and reserve pit will start in a timely manner after all drilling operations cease. The type of reclamation will depend on whether the well is a producer or dry hole.
 - B. However, in either event, the reserve pit will be allowed to dry properly, and/or fluid removed and disposed of in accordance with Article 7.E as previously noted. The pit area will then be leveled and contoured to conform to original surface as near as practical. Drainage systems, if any, will be reshaped to the original configuration with provisions made to alleviate erosion. These may need to be modified in certain circumstances to prevent inundation of the location's surface and facilities.
 - C. After the area has been shaped and contoured, topsoil from the spoil pile will be placed over the disturbed area to the extent possible. Revegetation procedures will comply with BLM standards.
 - D. If the well is a dry hole, the pad and road area will be contoured to match the existing terrain. Topsoil will be spread to the extent possible. Revegetation will comply with BLM standards.
 - E. Should the well be a producer, the previously noted procedures will apply to those areas which are not required for production facilities.
11. Other Information:
- A. Topography: Refer to the archaeological report for a detailed description of flora, fauna, soil characteristics, dwellings, and historical or cultural sites.
 - B. The well site is on Federal owned surface. The surface is part of the Three Forks Canyon Allotment and leased to Dan Murry P. O. Box 129, Carlsbad, New Mexico 88220. They will be notified of our intention to drill prior to any activity. The land is used mainly for cattle ranching and oil and gas production.

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C. An Archaeological survey has been conducted of the location and proposed pipeline route/road, and will be filed with the Bureau of Land Management in the Carlsbad BLM office.

D. There are no known dwellings within 1 ½ miles of this location.

12. Operators Representative:

Yates Energy Corporation
C/O O'Briant and Associates, Inc.
ATTN: Jim O'Briant
P. O. Box 10487
Midland, Texas 79702
Office Phone: (432) 683-5511

13. 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 currently 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 Energy Corporation contractors/subcontractors in the conformity with this plan and the terms and conditions under which it is approved. This statement is subject to the provisions of U.S.C. 1001 for the filing of a false statement.

NAME: Sheryl L. Jonas
Sheryl L. Jonas

DATE: 9-27-05

TITLE: _____
Agent for Yates Energy Corporation

YATES ENERGY CORPORATION
EXHIBIT

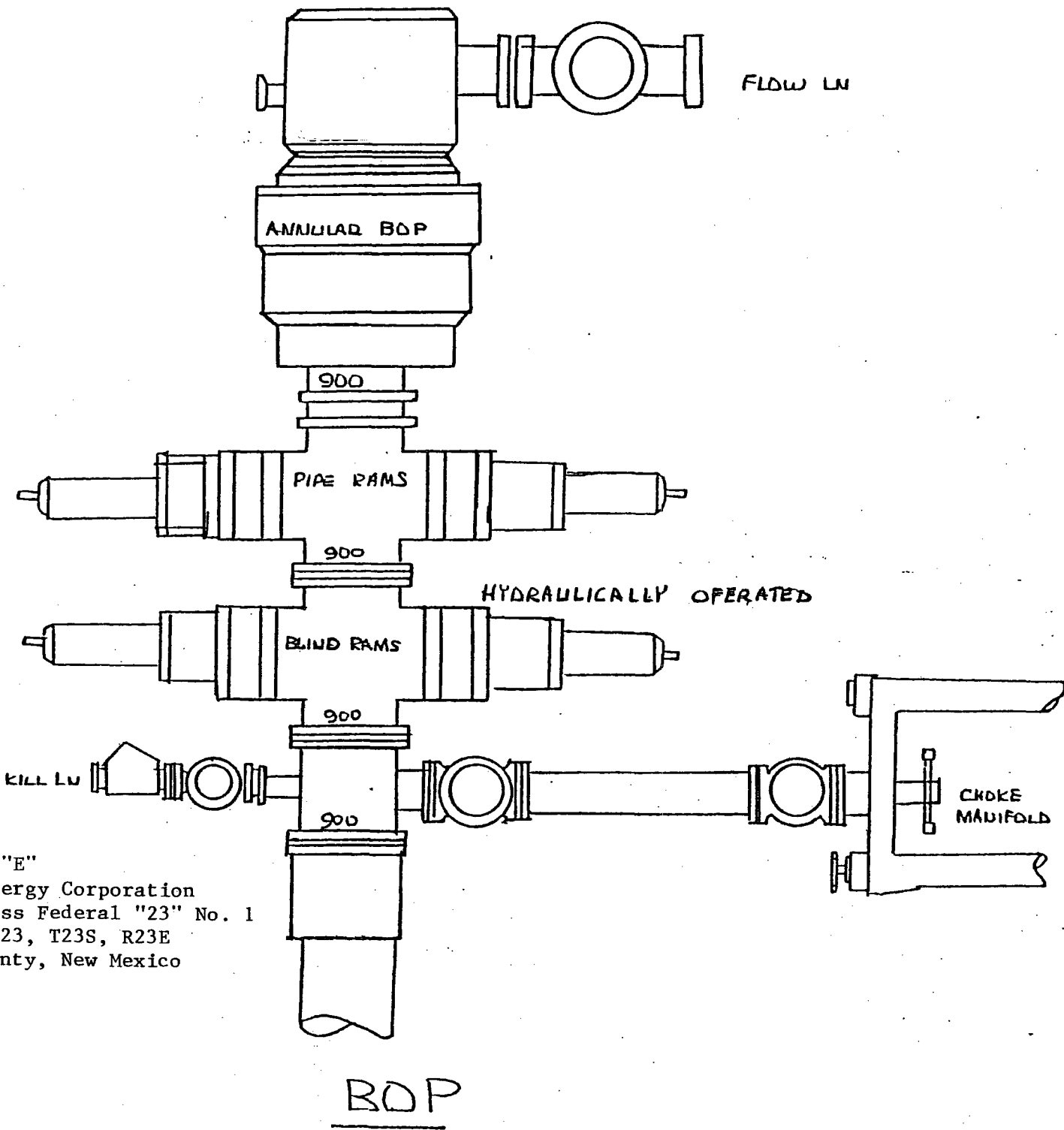


EXHIBIT "E"
Yates Energy Corporation
North Hess Federal "23" No. 1
Section 23, T23S, R23E
Eddy County, New Mexico

125'

Reserve pit

1
2
5

Exhibit "D"
Tank Battery
Yates Energy Corp.
North Hess Federal "23" No. 001
Section 23, T23S, R23E
Eddy County, New Mexico

Liquid blow down line

meter

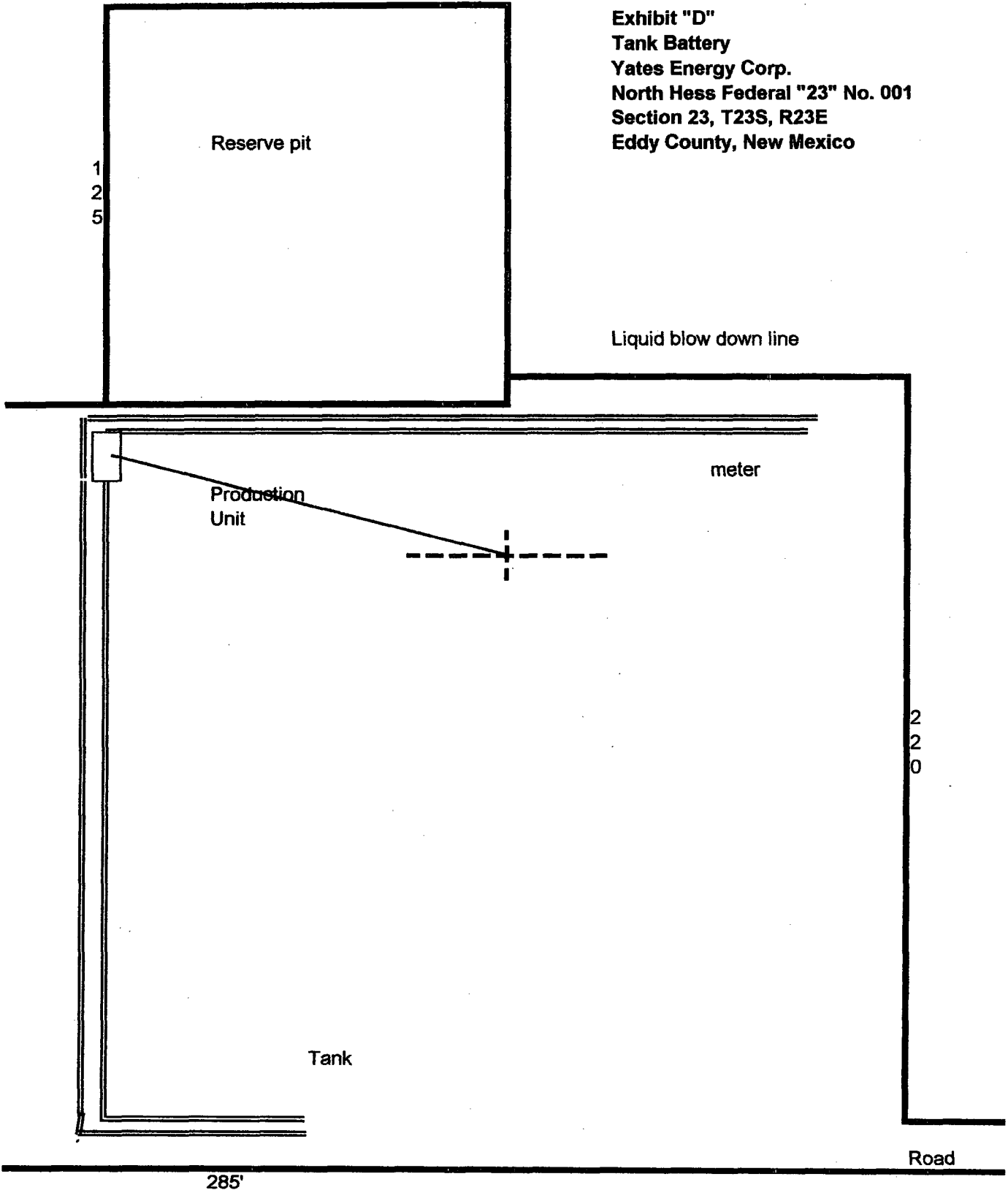
Production
Unit

2
2
0

Tank

Road

285'



CONDITIONS OF APPROVAL - DRILLING

Operator's Name: Yates Energy Corporation
Well Name & No. North Hess Federal 23 #1
Location: 1550 1055' FSL, 740' FEL, Section 23, T. 23 S., R. 23 E., Eddy County, New Mexico
Lease: NM-111398 ^{BLD} per attached SW dated 11/24/05
(Signature)

I. DRILLING OPERATIONS REQUIREMENTS:

1. The Bureau of Land Management (BLM) is to be notified at the Carlsbad Field Office, 620 East Greene St., Carlsbad, NM 88220, (505) 361-2822 for wells in Eddy County in sufficient time for a representative to witness:

A. Well spud

B. Cementing casing: 13-3/8 inch 8-5/8 inch 4-1/2 or 5-1/2 inch

C. BOP tests

3. 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.

4. Submit a Sundry Notice (Form 3160-5, one original and five copies) for each casing string, describing the casing and cementing operations. Include pertinent information such as; spud date, hole size, casing (size, weight, grade and thread type), cement (type, quantity and top), water zones and problems or hazards encountered. The Sundry shall be submitted within 15 days of completion of each casing string. The reports may be combined into the same Sundry if they fall within the same 15-day time frame.

5. The API No. assigned to the well by NMOCD shall be included on the subsequent report of setting the first casing string.

II. CASING:

1. The 13-3/8 inch surface casing shall be set at approximately 350 feet and cement circulated to the surface. If cement does not circulate to the surface the appropriate BLM office shall be notified and a temperature survey or cement bond log shall be run to verify the top of the cement. Remedial cementing shall be completed prior to drilling out that string.

2. The minimum required fill of cement behind the 8-5/8 inch intermediate casing is to be circulated to the surface.

3. The minimum required fill of cement behind the 4-1/2 or 5-1/2 inch production casing is to reach at least 500 feet above the top of the uppermost hydrocarbon productive interval.

III. PRESSURE CONTROL:

1. All BOP systems and related equipment shall comply with well control requirements as described in Onshore Oil and Gas Order No. 2. The BOP and related equipment shall be installed and operational before drilling below the 13-3/8 inch casing shoe and shall be tested as described in Onshore Order No. 2. Any equipment failing to test satisfactorily shall be repaired or replaced.

2. Minimum working pressure of the blowout preventer and related equipment (BOPE) shall be 3000 psi.

3. The appropriate BLM office shall be notified in sufficient time for a representative to witness the tests.

- The tests shall be done by an independent service company.
- The results of the test shall be reported to the appropriate BLM office.
- Testing fluid must be water or an appropriate clear liquid suitable for sub-freezing temperatures. Use of

10/3/2005

acs

drilling mud for testing is not permitted since it can mask small leaks.

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

IV. 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. Monitoring equipment shall consist of the following:

- Recording pit level indicator to indicate volume gains and losses.
- Mud measuring device for accurately determining the mud volumes necessary to fill the hole during trips.
- Flow-sensor on the flow-line to warn of abnormal mud returns from the well.

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O'Briant & Associates, Inc.

P. O. Box 10487 Midland, TX 79702
(432) 683-5511 (24 Hr. Ans.), (432) 683-5903 (Fax)
E-Mail: cobriant@apex2000.net

Bryant Arrant
NMOCD
District II
1301 W. Grand Avenue
Artesia, NM 88210

SUBJECT: Hydrogen Sulfide Gas Statement
Yates Energy Corporation
North Hess Federal "23" No. 1
Sec. 23, T-23S, R-23E
Eddy County, New Mexico

Dear Mr. Arrant:

We have research the general area of this well, the wells Yates Energy has drilled nearby and have found no indication hydrogen sulfide gas. A well drilled south of this location did not encounter any hydrogen sulfide gas.

At such a time there is a suspicion of hydrogen sulfide gas during the drilling of this well, the appropriate steps will be taken to calculate the radii of exposure and add the appropriate safety equipment and contingency plans.

Sheryl L. Jonas

Agent for Yates Energy Corporation

SJ/file