OCD-ARTESIA

Form 3160-3
(August 1999)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

RECEIVED
JUL - 7 2006
OCD-ARTESIA

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

APPLICATION FOR PERMIT TO DRILL OR REENTER

5. Lease Serial No.: NM-101080

6. If Indian, Allottee or Tribe Name:

1a. Type of Work: [X] DRILL [ ] REENTER

7. If Unit or CA Agreement, Name and No.:

b. Type of Well: [ ] Oil Well [X] Gas Well [ ] Other [ ] Single Zone [ ] Multiple Zone

8. Lease Name and Well No.: 35853
Shafer BHS Federal Com. #1

2. Name of Operator
Yates Petroleum Corporation 25575

9. API Well No.: 30-015-35001

3A. Address: 105 South Fourth Street, Artesia, New Mexico 88210

3b. Phone No. (include area code): (505) 748-1471

10. Field and Pool, or Exploratory: Undes. Indian Basin Morrow

4. Location of Well (Report location clearly and in accordance with any State requirements.*)
At surface: 2543' FNL and 947' FWL Surface Location
At proposed prod. Zone: 1980' FNL and 660' FWL Bottom Hole Location

11. Sec., T., R., M., or Blk, and Survey or Area: Section 26, T21S-R24E

14. Distance in miles and direction from nearest town or post office*
Approximately 30 miles northwest of Carlsbad, New Mexico.

12. County or Parish: Eddy County

13. State: NM

15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any)	16. No. of Acres in lease	17. Spacing Unit dedicated to this well
947'	320.00	N/2
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft.	**19. Proposed Depth**	**20. BLM/BIA Bond No. on file**
2500'	10000' TVD 10097' MD	NM-101080
21. Elevations (Show whether DF, KDB, RT, GL, etc.)	**22. Approximate date work will start***	**23. Estimated duration**
3919' GL	ASAP	45 days

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 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 office.

25. Signature	Name (Printed/Typed)	Date
Cy Cowan	Cy Cowan	4/4/2006

Regulatory Agent
Regulatory Agent

Approved by (Signature)	Name (Printed/Typed)	Date
/s/ James Stovall	/s/ James Stovall	JUL 06 2006

Title	Office
ACTING FIELD MANAGER	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 conduct operations thereon.
Conditions of approval, if any, are attached.

APPROVAL FOR 1 YEAR

Title 18 U.S.C. Section 1001and 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)

C-144 Attached.

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

APPROVAL SUBJECT TO GENERAL REQUIREMENTS AND SPECIAL STIPULATIONS ATTACHED

29.5

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 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
	78960	Undes. Indian Basin, Morrow

Property Code	Property Name	Well Number
	SHAFER "BHS" FEDERAL COM.	1

OGRID No.	Operator Name	Elevation
025575	YATES PETROLEUM CORPORATION	3919

Surface Location

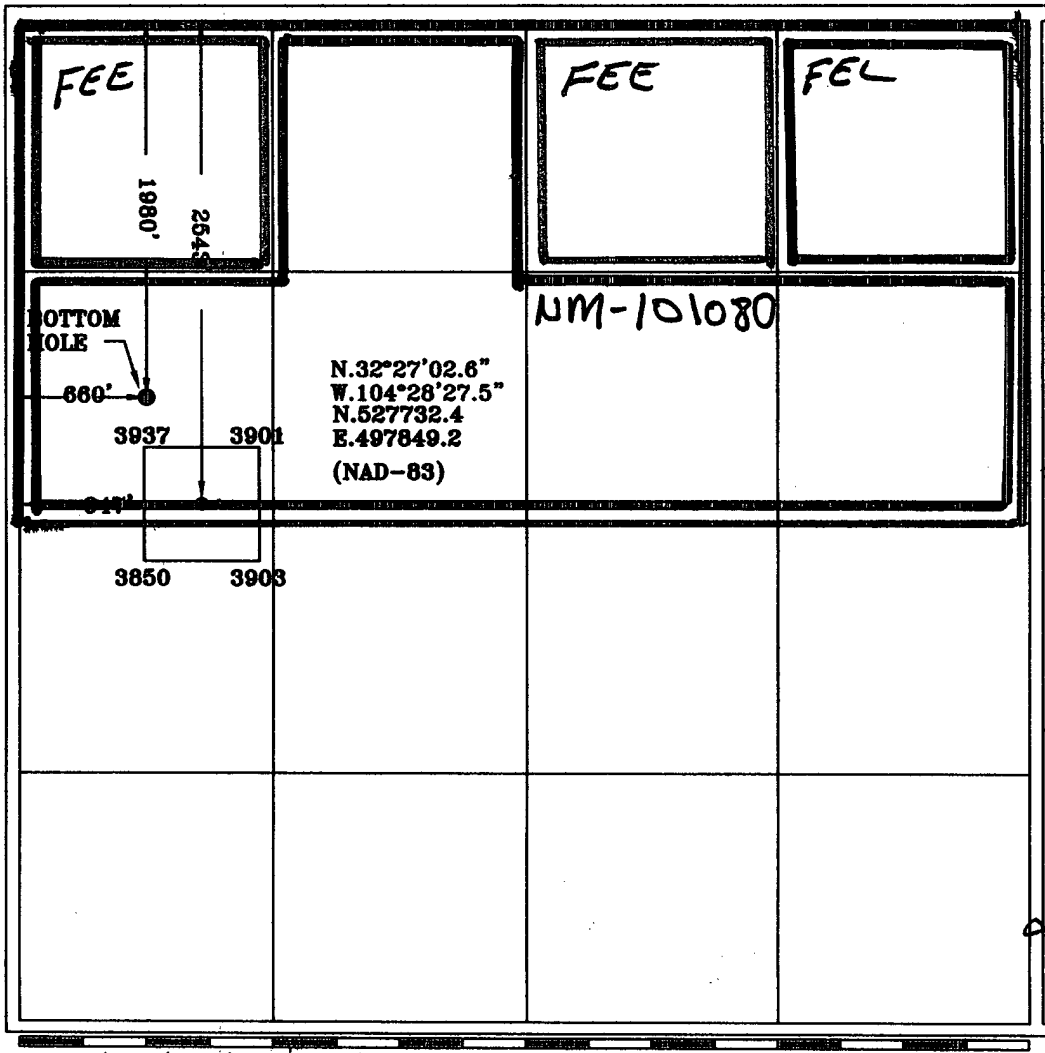
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
E	26	21S	24E		2543	NORTH	947	WEST	EDDY

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
E	26	21S	24E		1980	NORTH	660	WEST	EDDY

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

Signature

Cy Cowan
Printed Name

Regulatory Agent
Title

March 30, 2006
Date

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 supervison, and that the same is true and correct to the best of my belief.

3/23/2006
Date Surveyed

Signature & Seal of Professional Surveyor

HERSCHEL L. JONES
NEW MEXICO
3640
REGISTERED PROFESSIONAL LAND SURVEYOR
SHAFER
GENERAL SURVEYING COMPANY

Certificate No. Herschel L. Jones RLS 3640

YATES PETROLEUM CORPORATION
Shafer BHS Federal Com. #1
2543' FNL and 947' FWL Surface Location
1980' FNL & 660' FWL Bottom Hole Location
Section 26-T21S-R24E
Eddy County, New Mexico

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

Capitan	855'	Base of Dolomite	8025'
Cherry Canyon	1855'	Strawn	8855'
Brushy Canyon	1925'	Atoka	9045
Bone Spring Lime	3125'	Upper Morrow	9535'
1st Bone Spring Sand	4055'	Mid Morrow	9595'
3rd Bone Spring Sand	6885'	Lower Morrow	9755'
Wolfcamp	6945'	Base Morrow	9855'
Cisco Canyon Dolomite	7725'	TD	10000'

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

   Water: 150'
   Oil or Gas: All potential zones.

3. Pressure Control Equipment: BOPE will be installed on the 9 5/8" casing and rated for 5000 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 ¾"	9 5/8"	36#	J-55	ST&C	0-1650'	1650'
8 ¾"	7.0"	26#	HCP-110	LT&C	0-5400'	1300'
8 ¾"	7.0"	26#	J-55	LT&C	5400'-7000'	1600'
8 ¾"	7.0"	26#	HCP-110	LT&C	7000'-10000'	3000'

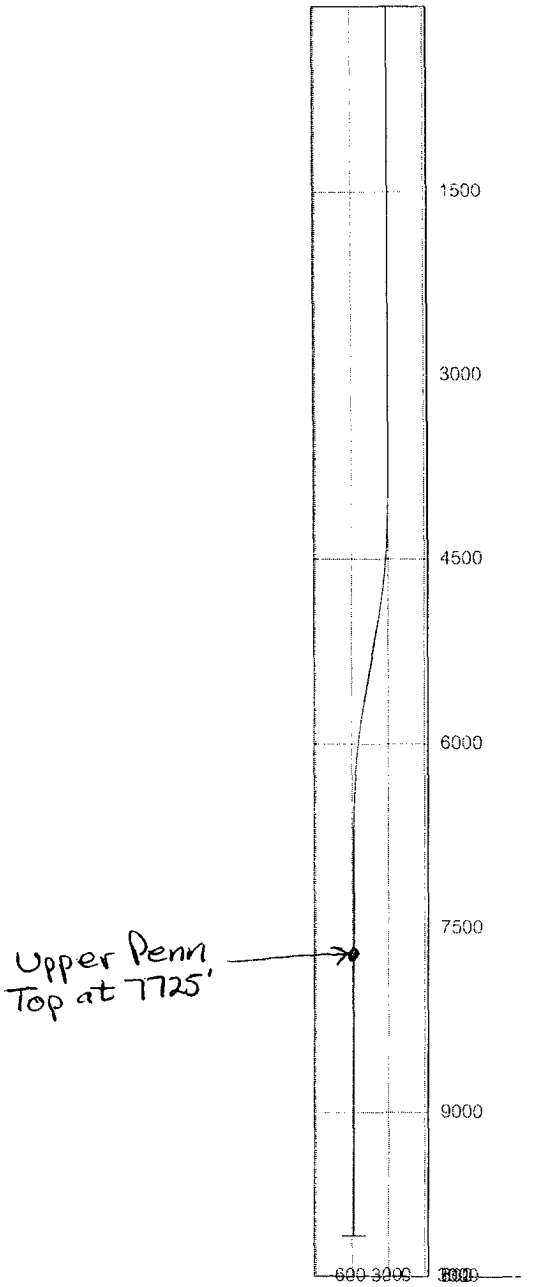
Possible set 7" early if severe lost circulation in Canyon. If set early will drill 6 1/8" hole to TD and 4 1/2" production casing will be set.

Yates Petroleum Corporation requests a variance to install a rotating head on the surface casing strings when production casing will be set. If a BOP system is required then we wish to install a 2M system and receive a varience to test the system to 1000# using the rig pumps. The test will be held for 30 minutes on each system component. Components to be tested include pipe rams, blind rams, and annular preventer.

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

3D³ Directional Drilling Planner - 3D View

Company: **Technical Toolboxes Inc.**
Well: **Shafer BHS Federal Com. #1**



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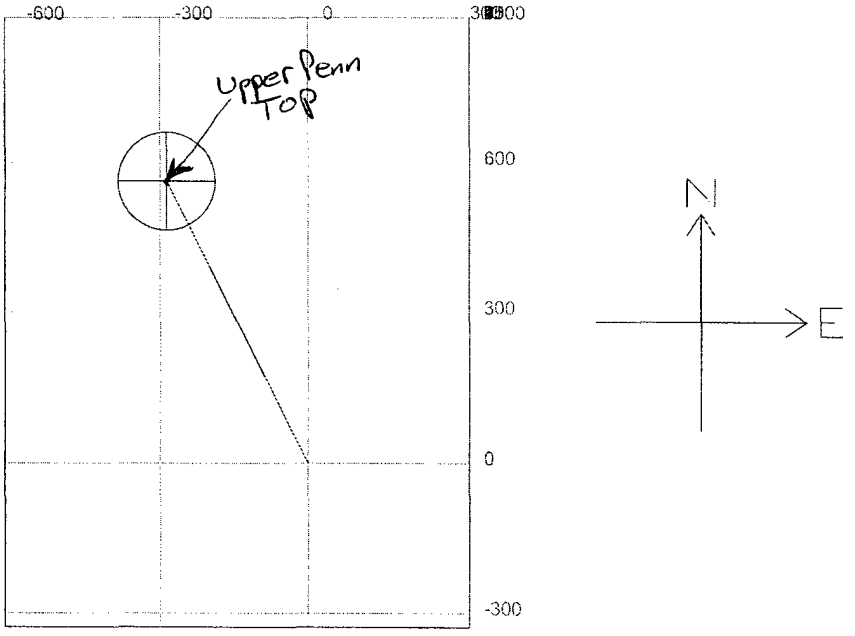
3D³ Directional Drilling Planner - 3D View

Company: **Technical Toolboxes Inc.**
Well: **Shafer BHS Federal Com. #1**



File: C:\Program Files\Drilling Toolbox 2001\Templates\Visual Wellbore\shafer1

Simulated Survey - C:\Program Files\Drilling Toolbox 2001\Templates\Visual Wellbore\shafer1

	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	4000.00	0.00	0.00	4000.00	0.00	0.00	2.00	333	GN
3	4025.00	0.50	332.99	4025.00	0.10	-0.05	2.00	0	HS
4	4050.00	1.00	332.99	4050.00	0.39	-0.20	2.00	0	HS
5	4075.00	1.50	332.99	4074.99	0.87	-0.45	2.00	0	HS
6	4100.00	2.00	332.99	4099.98	1.55	-0.79	2.00	0	HS
7	4125.00	2.50	332.99	4124.96	2.43	-1.24	2.00	360	HS
8	4150.00	3.00	332.99	4149.93	3.50	-1.78	2.00	0	HS
9	4175.00	3.50	332.99	4174.89	4.76	-2.43	2.00	0	HS
10	4200.00	4.00	332.99	4199.84	6.22	-3.17	2.00	0	HS
11	4225.00	4.50	332.99	4224.77	7.87	-4.01	2.00	0	HS
12	4250.00	5.00	332.99	4249.68	9.71	-4.95	2.00	0	HS
13	4275.00	5.50	332.99	4274.58	11.75	-5.99	2.00	360	HS
14	4300.00	6.00	332.99	4299.45	13.98	-7.13	2.00	0	HS
15	4325.00	6.50	332.99	4324.30	16.41	-8.36	2.00	360	HS
16	4350.00	7.00	332.99	4349.13	19.02	-9.70	2.00	360	HS
17	4375.00	7.50	332.99	4373.93	21.84	-11.13	2.00	0	HS
18	4400.00	8.00	332.99	4398.70	24.84	-12.66	2.00	360	HS
19	4425.00	8.50	332.99	4423.44	28.03	-14.29	2.00	0	HS
20	4450.00	9.00	332.99	4448.15	31.42	-16.02	2.00	0	HS
21	4475.00	9.50	332.99	4472.83	35.00	-17.84	2.00	0	HS
22	4500.00	10.00	332.99	4497.47	38.77	-19.77	2.00	0	HS
23	4525.00	10.50	332.99	4522.07	42.74	-21.79	2.00	360	HS
24	4550.00	11.00	332.99	4546.63	46.89	-23.90	2.00	360	HS
25	4575.00	11.50	332.99	4571.15	51.24	-26.12	2.00	0	HS
26	4600.00	12.00	332.99	4595.62	55.77	-28.43	2.00	0	HS
27	4625.00	12.50	332.99	4620.05	60.50	-30.84	2.00	0	HS
28	4650.00	13.00	332.99	4644.44	65.42	-33.35	2.00	0	HS
29	4675.00	13.50	332.99	4668.77	70.52	-35.95	2.00	0	HS
30	4700.00	14.00	332.99	4693.06	75.81	-38.65	2.00	0	HS
31	4725.00	14.50	332.99	4717.29	81.30	-41.44	2.00	0	HS
32	4750.00	15.00	332.99	4741.46	86.97	-44.33	2.00	0	HS
33	4775.00	15.50	332.99	4765.58	92.83	-47.32	2.00	360	HS
34	4800.00	16.00	332.99	4789.64	98.87	-50.40	2.00	0	HS
35	4825.00	16.50	332.99	4813.64	105.10	-53.58	2.00	360	HS
36	4850.00	17.00	332.99	4837.58	111.52	-56.85	2.00	360	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	4875.00	17.50	332.99	4861.46	118.13	-60.22	2.00	0	HS
38	4900.00	18.00	332.99	4885.27	124.92	-63.68	2.00	0	HS
39	4925.00	18.50	332.99	4909.01	131.89	-67.24	2.00	0	HS
40	4950.00	19.00	332.99	4932.68	139.05	-70.88	2.00	0	HS
41	4975.00	19.50	332.99	4956.29	146.40	-74.63	2.00	0	HS
42	5000.00	20.00	332.99	4979.82	153.92	-78.46	2.00	360	HS
43	5025.00	20.50	332.99	5003.27	161.63	-82.39	2.00	0	HS
44	5050.00	21.00	332.99	5026.65	169.52	-86.42	2.00	0	HS
45	5060.87	21.22	332.99	5036.79	173.01	-88.20	2.00	0	HS
46	5731.57	21.22	332.99	5662.02	389.26	-198.43	0.00		
47	5750.00	20.85	332.99	5679.11	395.43	-201.58	2.00	180	HS
48	5775.00	20.35	332.99	5702.51	403.27	-205.57	2.00	180	HS
49	5800.00	19.85	332.99	5725.99	410.92	-209.48	2.00	180	HS
50	5825.00	19.35	332.99	5749.54	418.39	-213.28	2.00	180	HS
51	5850.00	18.85	332.99	5773.16	425.68	-217.00	2.00	180	HS
52	5875.00	18.34	332.99	5796.86	432.78	-220.62	2.00	180	HS
53	5900.00	17.84	332.99	5820.62	439.70	-224.15	2.00	180	HS
54	5925.00	17.34	332.99	5844.45	446.44	-227.58	2.00	180	HS
55	5950.00	16.84	332.99	5868.35	452.99	-230.92	2.00	180	HS
56	5975.00	16.34	332.99	5892.31	459.35	-234.16	2.00	180	HS
57	6000.00	15.84	332.99	5916.33	465.53	-237.31	2.00	180	HS
58	6025.00	15.34	332.99	5940.41	471.52	-240.36	2.00	180	HS
59	6050.00	14.84	332.99	5964.55	477.32	-243.32	2.00	180	HS
60	6075.00	14.34	332.99	5988.74	482.93	-246.18	2.00	180	HS
61	6100.00	13.83	332.99	6012.99	488.36	-248.95	2.00	180	HS
62	6125.00	13.33	332.99	6037.29	493.60	-251.62	2.00	180	HS
63	6150.00	12.83	332.99	6061.64	498.64	-254.19	2.00	180	HS
64	6175.00	12.33	332.99	6086.04	503.50	-256.67	2.00	180	HS
65	6200.00	11.83	332.99	6110.49	508.17	-259.05	2.00	180	HS
66	6225.00	11.33	332.99	6134.98	512.65	-261.33	2.00	180	HS
67	6250.00	10.82	332.99	6159.51	516.94	-263.52	2.00	180	HS
68	6275.00	10.32	332.99	6184.09	521.04	-265.61	2.00	180	HS
69	6300.00	9.82	332.99	6208.70	524.94	-267.60	2.00	180	HS
70	6325.00	9.32	332.99	6233.35	528.66	-269.49	2.00	180	HS
71	6350.00	8.81	332.99	6258.04	532.18	-271.29	2.00	180	HS
72	6375.00	8.31	332.99	6282.76	535.51	-272.99	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	6400.00	7.80	332.99	6307.52	538.65	-274.59	2.00	180	HS
74	6425.00	7.30	332.99	6332.30	541.60	-276.09	2.00	180	HS
75	6450.00	6.79	332.99	6357.11	544.35	-277.49	2.00	180	HS
76	6475.00	6.29	332.99	6381.95	546.91	-278.80	2.00	180	HS
77	6500.00	5.78	332.99	6406.81	549.28	-280.00	2.00	180	HS
78	6525.00	5.27	332.99	6431.69	551.45	-281.11	2.00	180	HS
79	6550.00	4.76	332.99	6456.60	553.43	-282.12	2.00	180	HS
80	6575.00	4.25	332.99	6481.52	555.22	-283.03	2.00	180	HS
81	6600.00	3.73	332.99	6506.46	556.81	-283.85	2.00	180	HS
82	6625.00	3.21	332.99	6531.41	558.21	-284.56	2.00	180	HS
83	6650.00	2.68	332.99	6556.38	559.42	-285.17	2.00	180	HS
84	6675.00	2.13	332.99	6581.36	560.43	-285.69	2.00	180	HS
85	6700.00	1.56	332.99	6606.34	561.24	-286.11	2.00	180	HS
86	6725.00	0.89	332.99	6631.34	561.87	-286.42	2.00	180	HS
87	6750.00	0.00	332.99	6656.34	562.30	-286.64	2.00	180	GN
88	6775.00	0.00	332.99	6681.34	562.53	-286.76	2.00	180	GN
89	6793.84	0.00	152.99	6700.18	562.58	-286.78	2.00	153	GN
90	10093.84	0.00	0.00	10000.00	563.00	-287.00	0.00		

B. Cementing Program:
Surface casing: 1050' sx 'C' Lite (YLD 1.90 WT 12.7), tail with 200 sx 'C' (YLD 1.34 WT 14.8).
Production Casing: Stage I 450 sx Super 'C' Lite (YLD 1.6 WT 13.0).
Stage II 1125 sx 'C' (YLD 1.95 WT 12.5). Tail in w/100 sx 'H' (YLD 1.18 WT 15.6).

5. MUD PROGRAM AND AUXILIARY EQUIPMENT:

Interval	Type	Weight	Viscosity	Fluid Loss
0-1650'	Fresh Water	8.4	28	N/C
1650'-7600'	Cut Brine	8.8-9.0	28	N/C
7600'-9400'	Cut Brine/Starch	9.0-9.4	28-32	<15cc
9400'-10000'	Salt Gel/Starch	9.4-9.8	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 from intermediate casing.
Logging: Platform Express/HRLA/NGT/FMI.
Coring: None anticipated.
DST's: None anticipated.

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

From: 0	TO:	1650	Anticipated Max. BHP:	725	PSI
From: 1650'	TO:	10000'	Anticipated Max. BHP:	5100	PSI

Abnormal Pressures Anticipated: None

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

H2S Zones Anticipated: Possible Canyon

Maximum Bottom Hole Temperature: 178 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 15 days.

MULTI-POINT SURFACE USE AND OPERATIONS PLAN
Yates Petroleum Corporation
Shafer BHS Federal Com. #1
2543' FNL and 947' FWL Surface location
1980' FNL & 660' FWL Bottom Hole Location
Section 26, T21S-R24E
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 well site is located approximately 30 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 approximately 12.5 miles to Highway 137. Turn west on Highway 137 and go approximately 14 miles. Turn left on lease road and go approximately 2 miles . Turn left here on lease and go approx. 3.9 miles. Marathon's Indian Hills Unit #22 is on the left from here go approx. .7 of a mile past that well. The road will fork here. Take the left fork and go .7 of a mile. At this point go right for .3 of a mile to a two track road. The new road will start here following the two track road for approx. .7 of a mile. Then the new road will go southeast for approx. .1 of a mile to the northwest corner of the proposed well location.

2. PLANNED ACCESS ROAD

The new access will go approximately .7 of a mile in a northeasterly direction then southeast for .1 of a mile to the proposed well location.

3. LOCATION OF EXISTING WELL

A. There is no drilling activity within a one-mile radius of the well site.
B. Exhibit D shows existing wells within a one-mile radius of the proposed well site.

4. LOCATION OF EXISTING AND/OR PROPOSED FACILITIES

A. There are no production facilities on this lease at the present time.
B. In the event that the well is productive, the necessary production facilities will be installed on the drilling pad. If the well is productive oil, a gas or diesel self-contained unit will be used to provide the necessary power. No power will be required if the well is productive of gas.

5. LOCATION AND TYPE OF WATER SUPPLY:

A. It is planned to drill the proposed well with a fresh water system. The water will be obtained from commercial sources and will be hauled to the location by truck over the existing and proposed roads shown in Exhibit A.

6. SOURCE OF CONSTRUCTION MATERIALS:

Dirt contractor will locate nearest pit and obtain any permits and materials needed for construction.

7. METHODS OF HANDLING WASTE DISPOSAL:

A. Drill cuttings will be disposed of in the reserve pits.
B. Drilling fluids will be allowed to evaporate in the reserve pits until the pits are dry.
C. Water produced during operations will be collected in tanks until hauled to an approved disposal system, or separate disposal application will be submitted.
D. Oil produced during operations will be stored in tanks until sold.
E. Current laws and regulations pertaining to the disposal of human waste will be complied with.
F. All trash, junk, and other waste materials will be contained in trash cages or bins to prevent scattering and will be removed and deposited in an approved sanitary landfill. Burial on site is not approved.

8. ANCILLARY FACILITIES:

None

9. WELLSITE LAYOUT:

A. Exhibit C shows the relative location and dimensions of the well pad, the reserve pits, the location of the drilling equipment, rig orientation and access road approach.
B. The reserve pits will be plastic lined. The reserve pits will be plastic lined. Yates Petroleum Corporation is in full compliance with the OCD General Plan for Drilling Pits approved on April 15, 2004.

C. A 600' x 600' area has been staked and flagged.

10. PLANS FOR RESTORATION:

A. After finishing drilling and/or completion operations, all equipment and other material not needed for further operations will be removed. The location will be cleaned of all trash and junk to leave the 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: Federal Surface, Administered by 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 88210
Phone (505) 748-1471

B. Through Drilling Operations, Completions and Production:

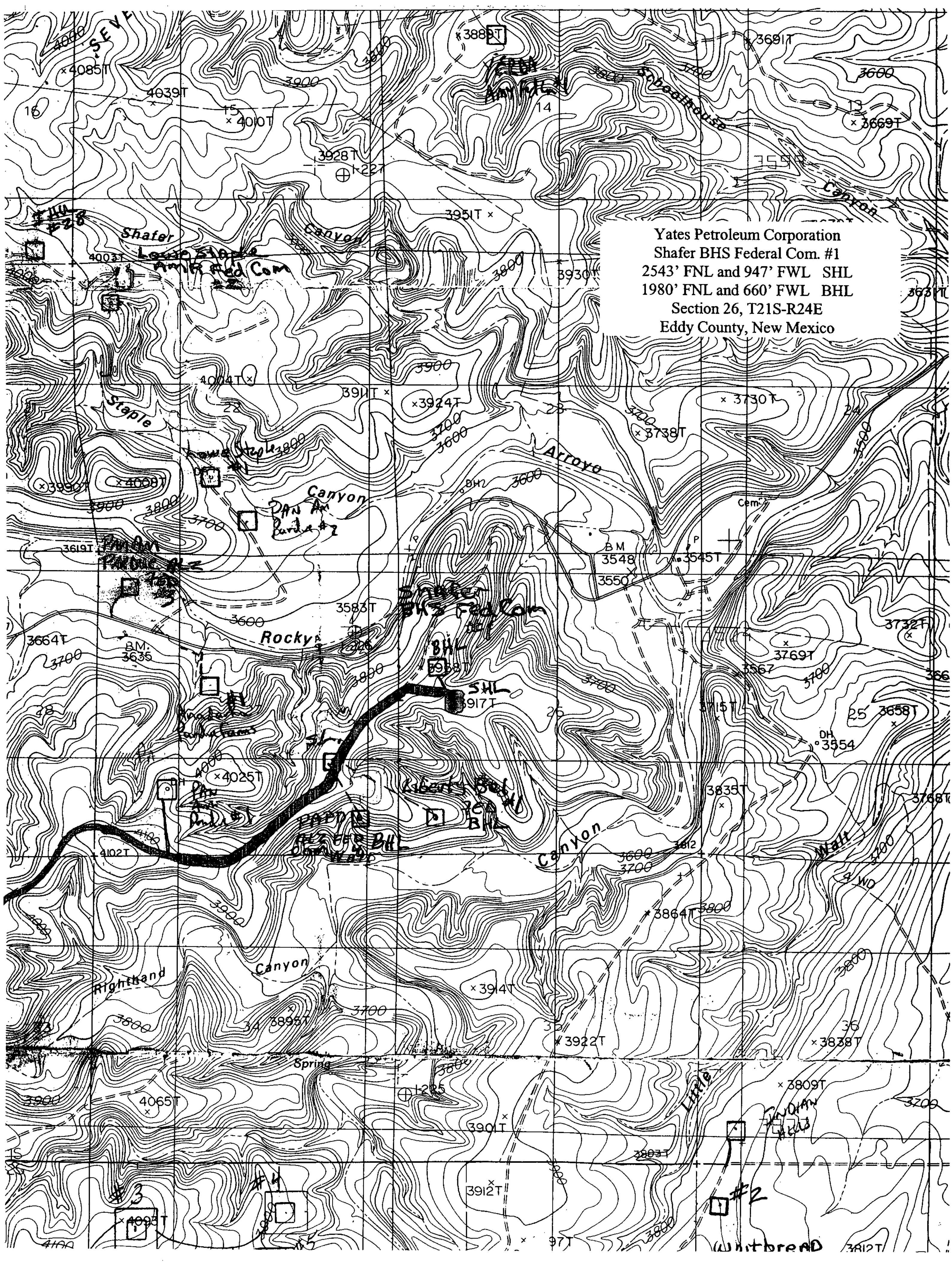
Pinson McWhorter, Operations Manager
Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210
Phone (505) 748-1471

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.

3/30/2006

Regulatory Agent


Yates Petroleum Corporation
Shafer BHS Federal Com. #1
2543' FNL and 947' FWL SHL
1980' FNL and 660' FWL BHL
Section 26, T21S-R24E
Eddy County, New Mexico
Shafer
Canyon
Schoolhouse
Staple
Arroyo
Rocky
Rightland
Spring
Little
Walt
Shafer BHS Fed Com #1
BHL
SHL
Lowe Staple AMR Fed Com #2
Lowe Staple #1
PAN AM Barda #2
3928T
3951T
3930T
4004T
3911T
3924T
3730T
3738T
4008T
3990T
3619T
3583T
3548
3545T
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3838T
3809T
4065T
3901T
3883T
3912T
4093T
4085T
4039T
4010T
3691T
3669T

Yates Petroleum Corporation

Typical 5.000 psi Pressure System Schematic
Annular with Double Ram Preventer Stack

Yates Petroleum Corporation
Shafer BHS Federal Com. #1
2543' FNL and 947' FWL SHL
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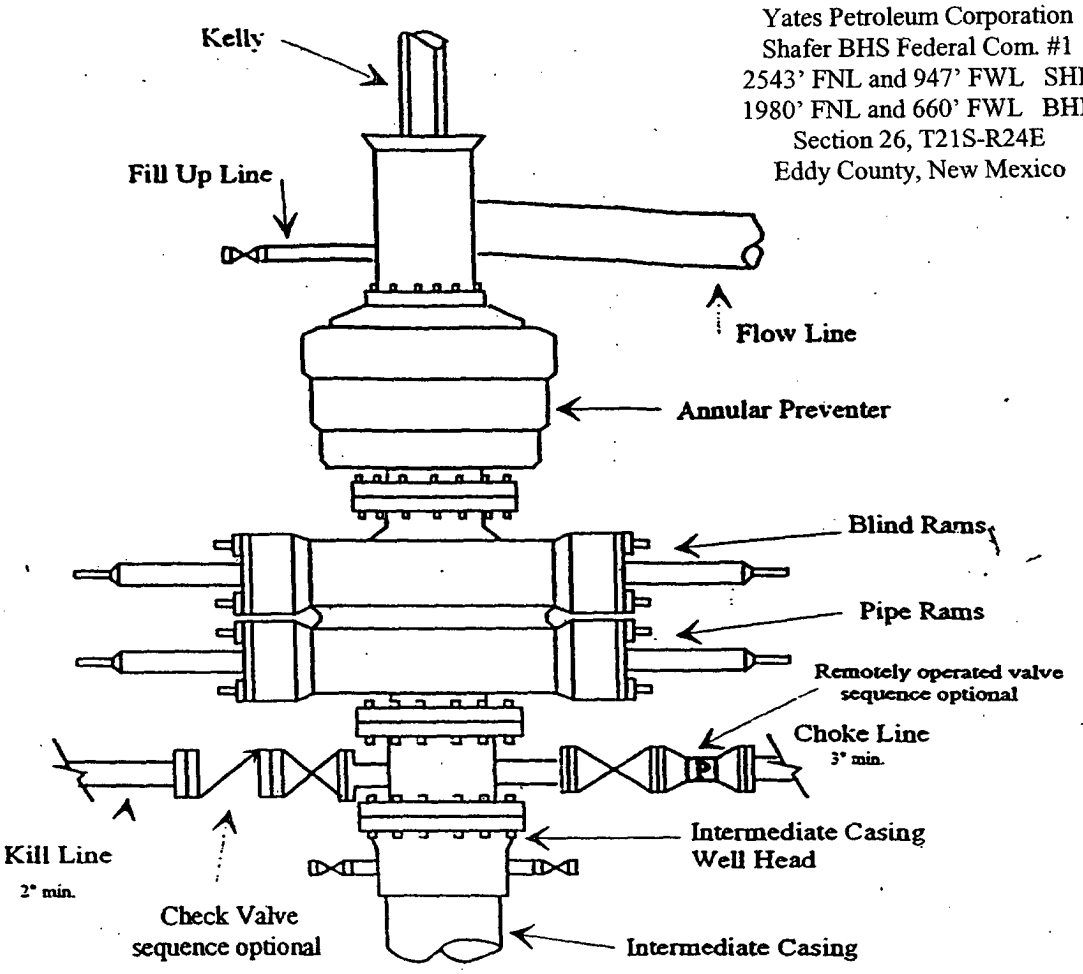
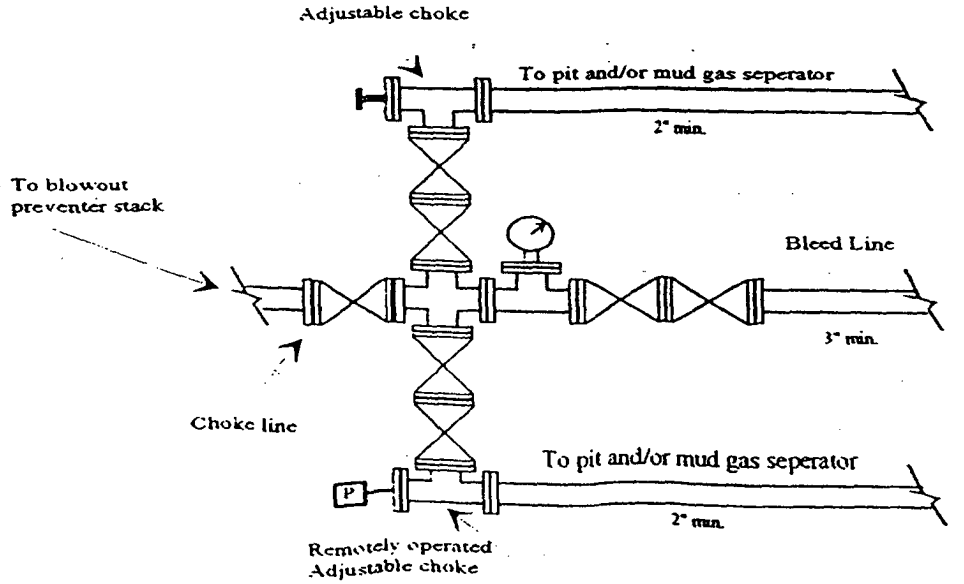
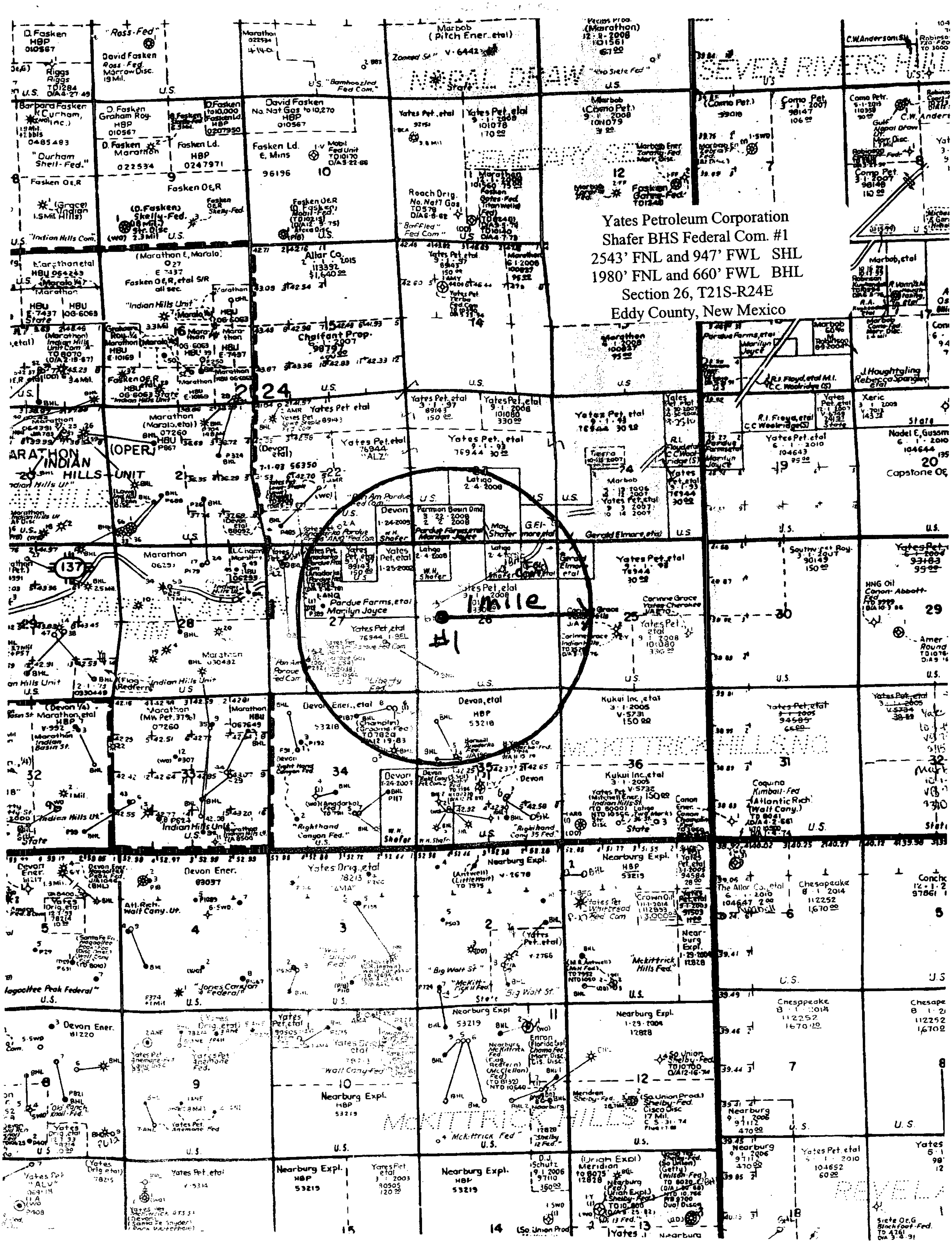
Section 26, T21S-R24E
Eddy County, New Mexico



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





Yates Petroleum Corporation
Shafer BHS Federal Com. #1
2543' FNL and 947' FWL SHL
1980' FNL and 660' FWL BHL
Section 26, T21S-R24E
Eddy County, New Mexico
1 mile
#1

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

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

Form C-144
March 12, 2004

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

Pit or Below-Grade Tank Registration or Closure

Is pit or below-grade tank covered by a "general plan"? Yes ☒ No ☐
Type of action: Registration of a pit or below-grade tank ☒ Closure of a pit or below-grade tank ☐

Operator: YATES PETROLEUM CORPORATION Telephone: (505) 748-1471 e-mail address: _____
Address: 105 South Fourth Street, Artesia, NM 88210
Facility or well name: Shafer BHS Federal Com. #1 API #: _____ U/L or Qtr/Qtr E Sec 26 T 21 S R 24 E
County: Eddy Latitude N32°27'02.6" Longitude W104°28'27.5" NAD: 1927 X 1983 ☐ Surface Owner Federal ☒ State ☐ Private ☐ Indian ☐

Pit	**Below-grade tank**
Type: Drilling ☒ Production ☐ Disposal ☐ Workover ☐ Emergency ☐ Lined X Unlined ☐ Liner type: Synthetic X Thickness 12 mil Clay ☐ Volume 20,000 bbl	Volume: _____bbl Type of fluid: _____ Construction material: _____ Double-walled, with leak detection? Yes ☐ 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 50 feet or more, but less than 100 feet 100 feet or more	(20 points) (10 points) (0 points)	0 10
Wellhead protection area: (Less than 200 feet from a private domestic water source, or less than 1000 feet from all other water sources.)	Yes No	(20 points) (0 points)	0
Distance to surface water: (horizontal distance to all wetlands, playas, irrigation canals, ditches, and perennial and ephemeral watercourses.)	Less than 200 feet 200 feet or more, but less than 1000 feet 1000 feet or more	(20 points) (10 points) (0 points)	0
	Ranking Score (Total Points)		0 10

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: 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.

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: March 30, 2006 ☐
Printed Name/Title Cy Cowan, Regulatory Agent Signature Cy Cowan

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:
Date: JUL 14 2006
Printed Name/Title Gerry Guye Deputy Field Inspector District II - A Signature Gerry Guye

USGS information shows this area to be water sensitive. If during construction water is encountered or seeps into pit CONTACT OCD IMMEDIATELY.

Yates Petroleum Corporation

105 S. Fourth Street
Artesia, NM 88210

Hydrogen Sulfide (H_2S) Contingency Plan

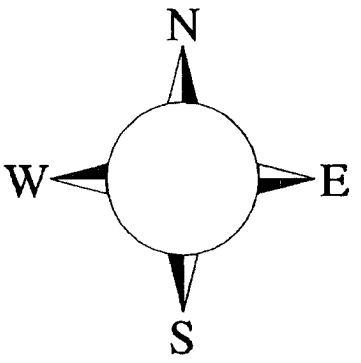
For

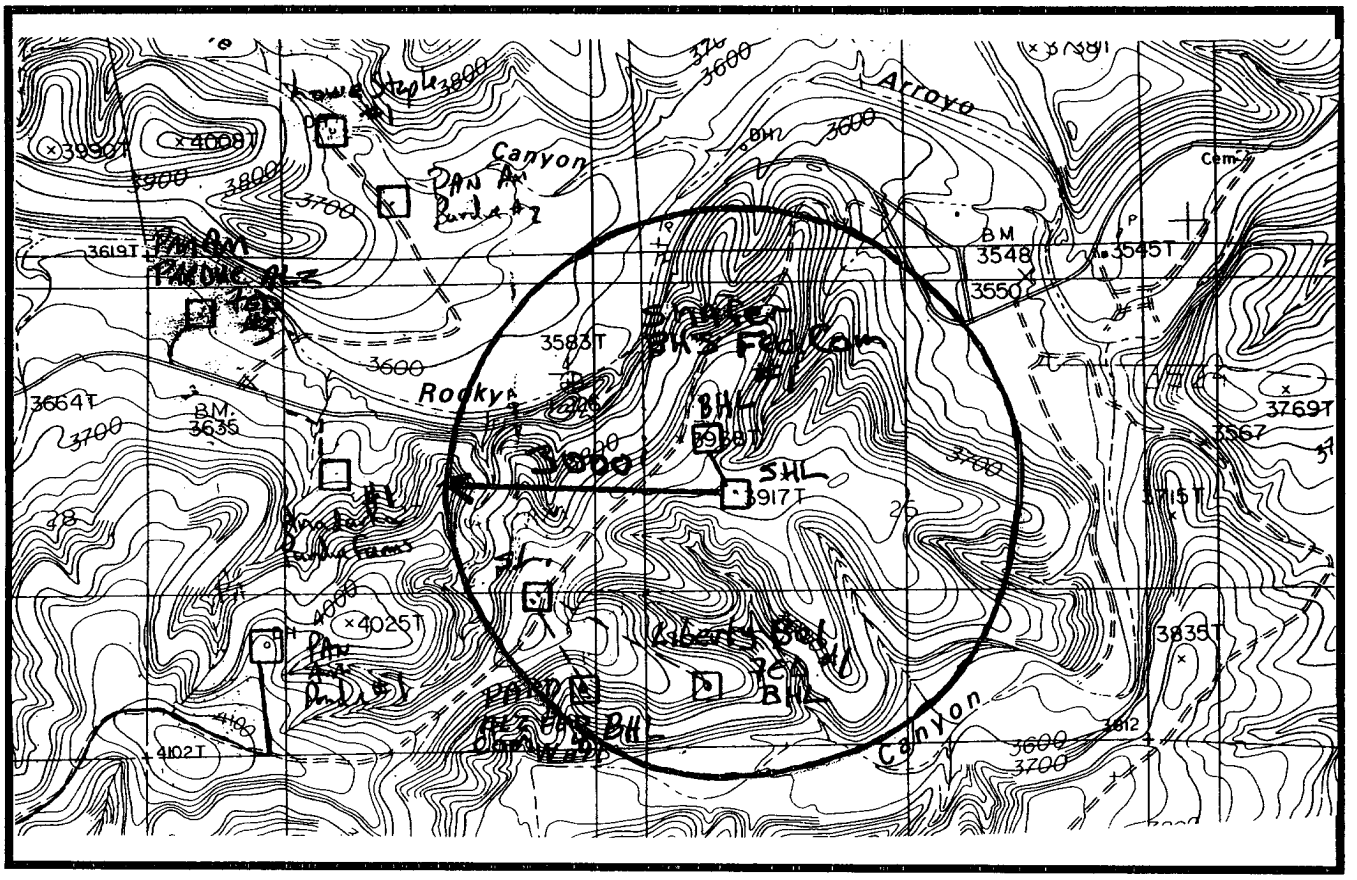
Shafer BHS Federal Com. #1

2543' FNL, 947' FEL SHL
1980' FNL and 660' FWL BHL
Section 26, T-21S, R-24E
Eddy County NM

Shafer BHS Federal Com. #1

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.





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)

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
New Mexico State Emergency Operations Center ..... (505) 476-9635
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

Conditions of Approval
Cave and Karst
Yates Petroleum Corporation
Shafer BHS Fed. Com. #1

Cave/Karst Surface Mitigation
The following stipulations will be applied to minimize impacts during construction, drilling and production.

Berming:
Any tank batteries will be constructed and bermed large enough to contain any spills that may occur.

Bermed areas will be lined with rip-stop padding to prevent tears or punctures in liners and lined with a permanent 20 mil plastic liner.

Buried Cuttings Pit:
A 70X100 foot cuttings pit will be utilized for this location. The cuttings pit will be lined with 4 oz. felt and a layer of 20 mil. plastic. Upon completion of the well all excess fluids will be vacuumed off the cuttings pit and allowed to dry. The pit liner will then be folded over the cuttings, covered with a 20 mil plastic cover and then covered with at least three feet of top soil.

Closed Mud System with Cuttings Removed:
No reserve pits will be allowed. A closed mud system or steel tanks will be utilized to drill the well. All fluids will be hauled off site for disposal.

Cave/Karst Subsurface Mitigation
The following stipulations will be applied to protect cave/karst and ground water concerns:

Rotary Drilling with Fresh Water:
Rotary drilling techniques in cave or karst areas will include the use of fresh water as a circulating medium in zones where caves or karst features are expected. See geologist report for depth.

Directional Drilling:
Kick off for directional drilling will occur at least 100 feet below the bottom of the cave occurrence zone as identified in the geologic report.

Casing:
All casing will meet or exceed National Association of Corrosion Engineers specifications pertaining to the geology of the location and be run to American Petroleum Institute and BLM standards.

Cementing:
All casing strings will be cemented to the surface.

Lost Circulation:
ALL lost circulation zones from the surface to the base of the cave occurrence zone will be logged and reported.

Regardless of the type of drilling machinery used, if a bit drops of four feet or more and circulation losses greater then 75 percent occur simultaneously while drilling in any cave-bearing zone, drilling operations will immediately stop and the BLM will be notified by the operator. The BLM will assess the consequences of the situation and work with operator on corrective actions to resolve the problem.

Delayed Blasting:
Any blasting will be a phased and time delayed.

Abandonment Cementing:
Upon well abandonment the well bore will be cemented completely from 100 feet below the bottom of the cave bearing zone to the surface.

Pressure Tests:
Annual pressure tests will be performed by the Operator on all casing annuli. If the test results indicated a casing failure, remedial actions approved by the BLM will be undertaken to correct the problem.

Differential Shut-off Systems:
A leak detection system and differential shut off systems will be installed for pipelines and tanks used in production or drilling.

Record Keeping:
The Operator will track customary drilling activities, including the rate of penetration, pump pressure, weight on bit, bit drops, percent of mud returns, and presence of absence of cuttings returning to the surface. As part of customary record keeping, each detectable void or sudden increase in the rate of penetration not attributable to a change in the formation type should be documented and evaluated as it is encountered.

WELLBORE SCHEMATIC

"CAVE PROTECTION"

NO VOID **VOID**

1. Set conductor casing.

2. Set surface casing, cement and circulate.

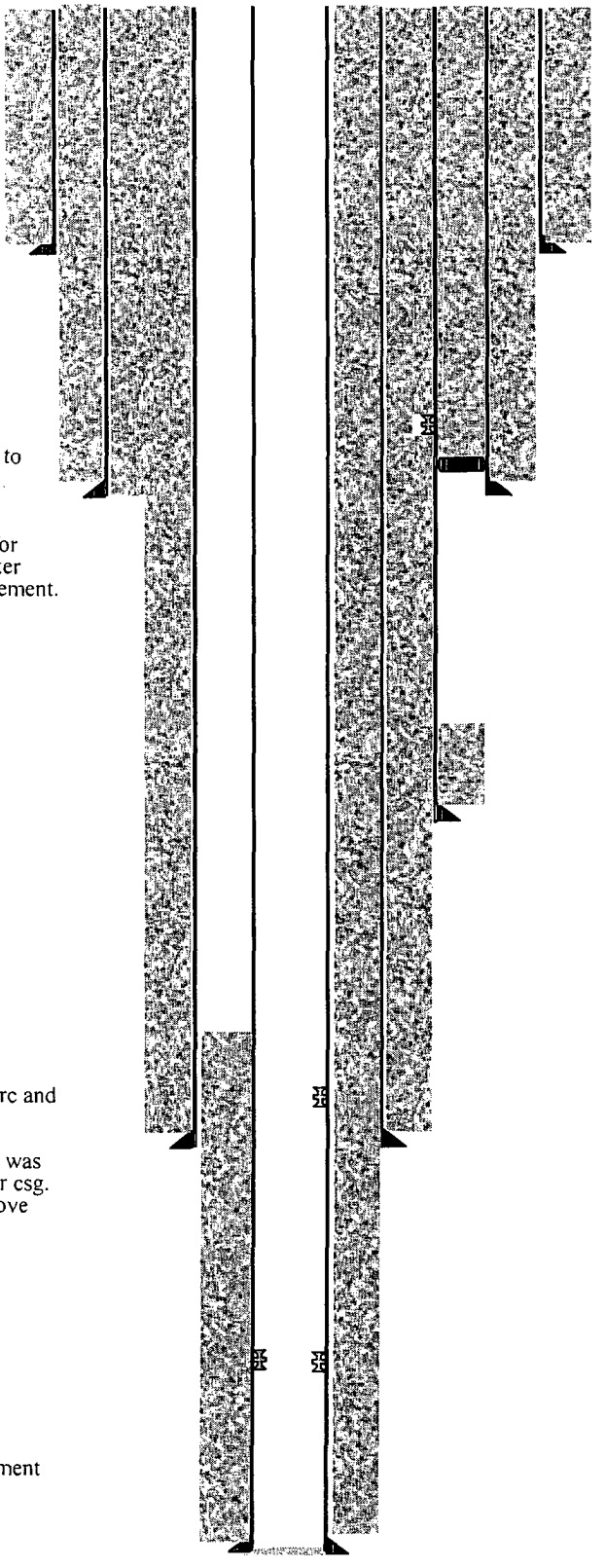
3. Drill inter hole. If no void, drill to depth and cement to surface.

4. If void encountered, ream hole for 13-3/8" casing. Place external packer above void. DV tool above pkr. Cement. Open DV tool, circ cement.

5. Drill inter hole to depth, case, circ and cement

6. Drill prod hole to depth. If void was encountered during drilling 1st Inter csg. Cmt, circulate or tie-back 200 ft above DV tool on 1st Inter csg.

7. If no void, prod csg to depth, cement and tie-back 200 ft into Inter csg.



Conductor

Surface

DV Tool
External Packer
Inter 13-3/8"

VOID
2- cement column's

Initial Cement

Intermediate 9-5/8"
DV Tool

Top of oil bearing zone.

DV Tool
Top of Pressurized
Production 5-1/2"

CONDITIONS OF APPROVAL - DRILLING

Operator's Name: Yates Petroleum Corporation
Well Name & No: Shafer BHS Federal Com No. 01
Location: Surface 2543' FNL & 947' FWL, Sec.26, T. 21 S., R. 24 E.
Lease: NMNM 101080
Eddy County, New Mexico

I. DRILLING OPERATIONS REQUIREMENTS:

1. The Bureau of Land Management (BLM) is to be notified at the Roswell Field Office, 2909 West Second St., Roswell, NM 88201, (505) 627-0272 for wells in Chaves and Roosevelt Counties; the Carlsbad Field Office, 620 East Greene St., Carlsbad, NM 88220, (505) 361-2822 for wells in Eddy County; and the Hobbs Field Station, 414 West Taylor, Hobbs NM 88240, (505) 393-3612 for wells in Lea County, in sufficient time for a representative to witness:

A. Spudding

B. Cementing casing: 9 5/8 inch; 7 inch;

C. BOP Tests

2. A Hydrogen Sulfide (H2S) Drilling Plan shall be in operations three days or 500 feet prior to drilling into the Top of the **Cisco Canyon** estimated to be at 7500 feet.

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 9 5/8 inch shall be set at **1650 Feet** with 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 7 inch Production casing is to **circulate to surface .**

The operator may choose to run the 7 inch casing at a shallower depth in order to resolve lost circulation problems if encountered. If the 7 inch is run to case off lost circulation zones, then a 6 1/8 inch hole will be drilled to TD with 4 ½ inch production casing intended.

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.

(III Cont):

2. Minimum working pressure of the blowout preventer and related equipment (BOPE) shall be **3 M psi.** and remain in use until the rig is ready to be released.

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

-The test 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 drilling mud for testing is not permitted since it can mask small leaks.
-Testing must be done in safe workman-like manner. Hard line connections shall be required.
-Both low pressure and high pressure testing of BOPE is required.

G. Gourley RFO 04/07/06