VRM
C/K

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

SLA

J-06-16

7/7/06

Form 3160-3
(August 1999)

OMB No. 1004-0136
Expires November 30, 2000

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

RECEIVED
AUG 2006
OCD - ARTESIA

APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of Work: [X] DRILL [ ] REENTER	5. Lease Serial No. NM-88136
b. Type of Well: [X] Oil Well [ ] Gas Well [ ] Other [ ] Single Zone [ ] Multiple Zone	6. If Indian, Allottee or Tribe Name
	7. If Unit or CA Agreement, Name and No.
	8. Lease Name and Well No. 20474 Corral Draw AQH Federal #4
2. Name of Operator Yates Petroleum Corporation 25575	9. API Well No. 30-015-35096
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 Pierce Crossing; Bone Spring, East 96473
4. Location of Well (Report location clearly and in accordance with any State requirements.*) Subject to Like Approval By State	11. Sec., T., R., M., or Blk, and Survey or Area
At surface 1150' FNL and 430' FWL Surface Hole Location	Section 13, T24S-R29E
At proposed prod. Zone 990' FNL and 330' FWL Bottom Hole Location	
14. Distance in miles and direction from nearest town or post office* Approximately 36 miles east of Malaga, 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) 430 feet.	16. No. of Acres in lease 320.00	17. Spacing Unit dedicated to this well NW/NW
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 300 feet.	19. Proposed Depth TVD 9250' MVD 9397'	20. BLM/BIA Bond No. on file 585997
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3011' GL	22. Approximate date work will start* ASAP	23. Estimated duration 45 days

24. Attachments Carlsbad 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 office.

25. Signature	Name (Printed/Typed) Cy Cowan	Date 7/5/2006
Regulatory Agent Regulatory Agent		
Approved by (Signature) /s/ James Stovall	Name (Printed/Typed) /s/ James Stovall	Date AUG 0 8 2006
Title ACTING FIELD MANAGER	Office CARLSBAD FIELD OFFICE	

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to 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

DECLARED WATER BASIN
CEMENT BEHIND THE 13 3/8"
CASING MUST BE CIRCULATED
WITNESS

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS AND
SPECIAL STIPULATIONS
ATTACHED

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
	96473	Pierce Crossing, Bone Spring East

Property Code	Property Name	Well Number
	CORRAL DRAW "AQH" FEDERAL	4

OGRID No.	Operator Name	Elevation
025575	YATES PETROLEUM CORPORATION	3011

Surface Location

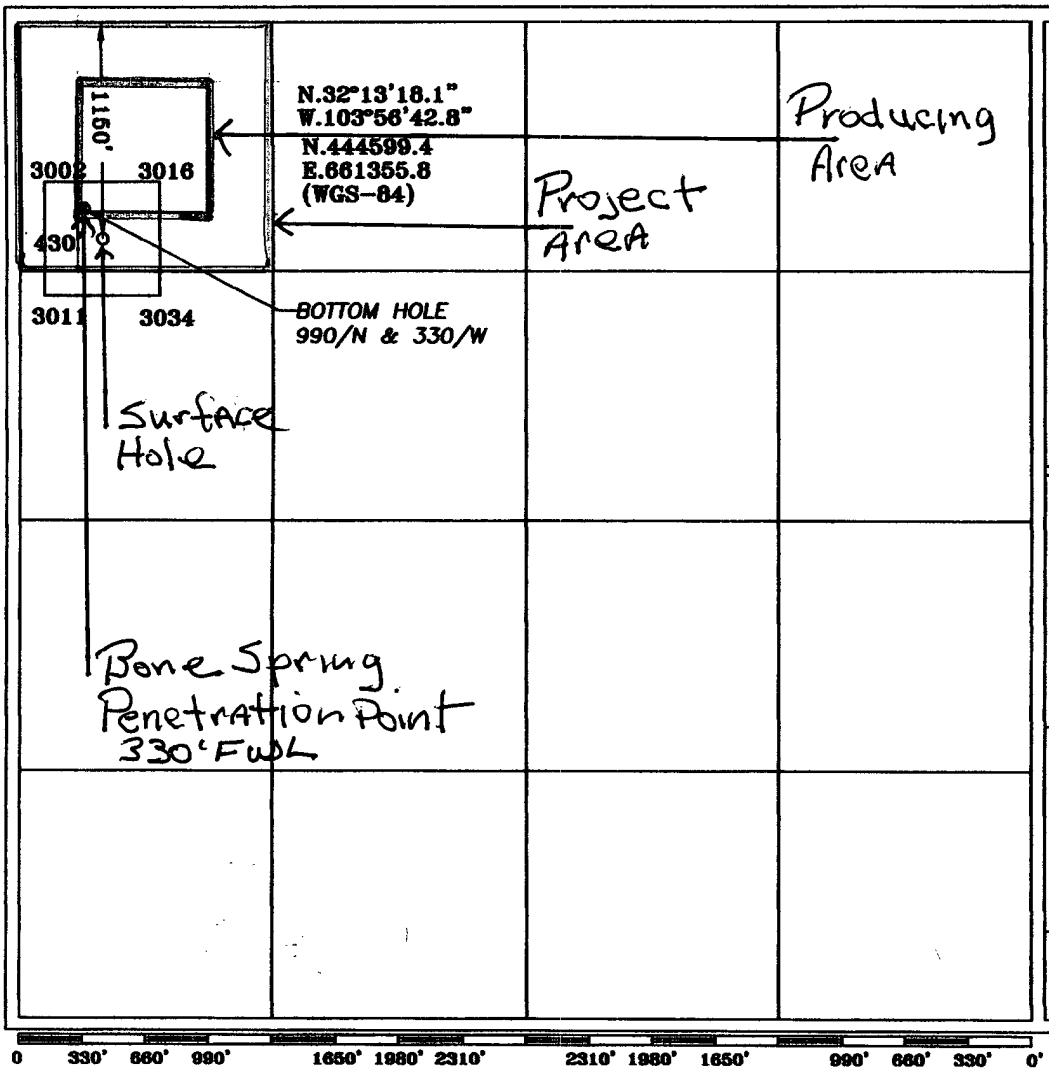
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
D	13	24S	29E		1150	NORTH	430	WEST	EDDY

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
D	13	24S	29E		990	NORTH	330	WEST	EDDY

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.
40			

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

August 17, 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.

4/18/2006
Date Surveyed

Signature & Seal of Professional Surveyor

HERSCHEL L. JONES
NEW MEXICO
3640
REGISTERED PROFESSIONAL SURVEYOR

Certificate No. Herschel L. Jones RLS 3640

CORRAL DRAW 4
CENTRAL SURVEYING COMPANY

YATES PETROLEUM CORPORATION
Corral Draw AQH Federal #4
1150' FNL & 430' FWL Surface Hole Location
990' FNL and 330' FWL Bottom Hole Location
Section 13-T24S-R29E
Eddy County, New Mexico

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

Rustler	330'	Brushy Canyon Marker	5360'
Top of Salt	450'	Brushy Canyon	6700'
Base of Salt	3015'	Bone Spring	6970'
Bell Canyon	3220'	TD	9250'
Cherry Canyon	4090'	MVD	9397'

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

   Water: Approx 150'

   Oil or Gas: All potential zones.

3. Pressure Control Equipment: BOPE will be installed on the 13 3/8" casing and rated for 3000 BOP systems will be consistent with API RP 53. Pressure tests will be conducted before drilling out from under all casing strings, which are set and cemented in place. Blowout Preventor controls will be installed prior to drilling the surface plug and will remain in use until the well is completed or abandoned. Preventors will be inspected and operated at least daily to ensure good mechanical working order, and this inspection recorded on the daily drilling report. See Exhibit B.

   Auxiliary Equipment:

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

4. THE PROPOSED CASING AND CEMENTING PROGRAM:

   A. Casing Program: (All New)

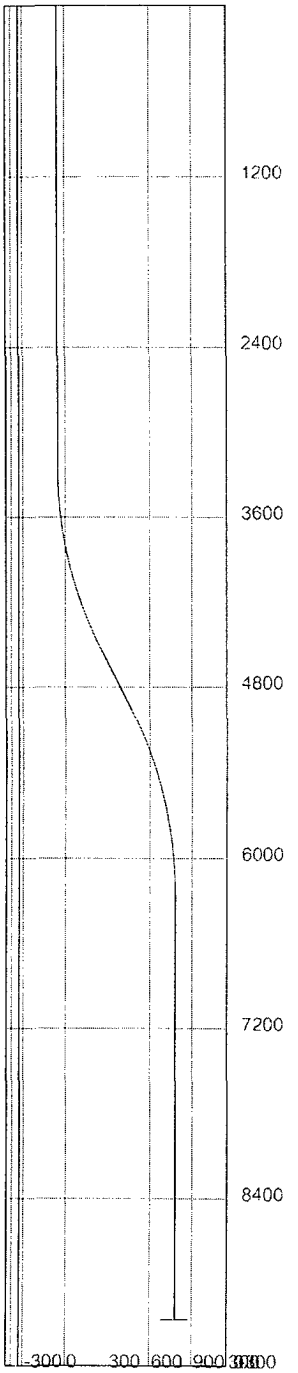
Hole Size	Casing Size	Wt./Ft	Grade	Coupling	Interval	Length
17 1/2"	13 3/8"	48#	H-40	ST&C	0-500'	500'
11"	8 5/8"	32#	J-55	ST&C	0-100'	100'
11"	8 5/8"	24#	J-55	LT&C	100'-2200'	2100'
11"	8 5/8"	32#	J-55	ST&C	2200'-3200'	1000'
7 7/8"	5 1/2"	17#	J-55	ST&C	0-500'	500'
7 7/8"	5 1/2"	15.5#	J-55	LT&C	500'-7200'	6700'
7 7/8"	5 1/2"	17#	J-55	LT&C	7200'-9250'	2050'

Yates Petroleum Corporation requests a variance to install a rotating head on the surface casing strings when intermediate casing will be set. If a BOP system is required then we wish to install a 2M system and receive a variance 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: **Corral Draw AQH Federal #4**



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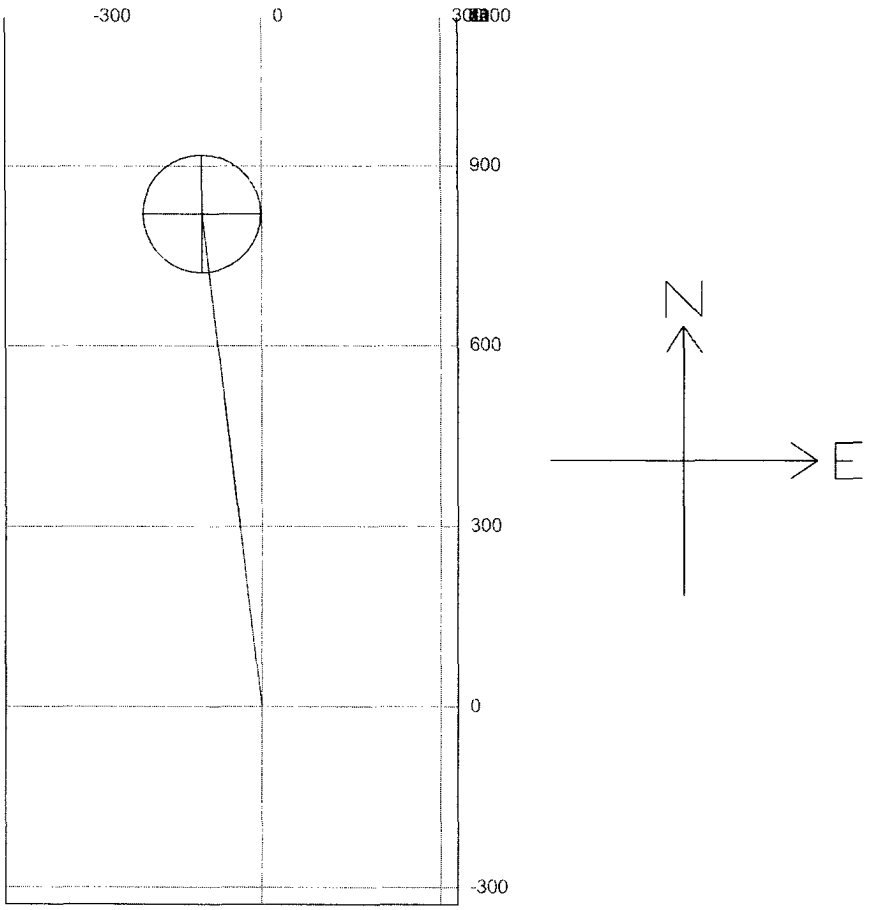
3D³ Directional Drilling Planner - 3D View

Company: **Technical Toolboxes Inc.**
Well: **Corral Draw AQH Federal #4**



File: C:\Program Files\Drilling Toolbox 2001\Templates\Visual Wellbore\corraldraw4.wpp

Simulated Survey - C:\Program Files\Drilling Toolbox 2001\Templates\Visual Wellbore\corraldraw4.wpp

	M.D. [ft]	Inclination [°]	Azimuth [°]	T.V.D. [ft]	N+/S- [ft]	E+/W- [ft]	D.L.S. [°/100ft]	ToolFace [°]	T.F. Ref. [HS/GN]
1	0.00	0.00	0.00	0.00	0.00	0.00	0.00		
2	3250.00	0.00	0.00	3250.00	0.00	0.00	2.00	353	GN
3	3275.00	0.50	353.05	3275.00	0.11	-0.01	2.00	0	HS
4	3300.00	1.00	353.05	3300.00	0.43	-0.05	2.00	0	HS
5	3325.00	1.50	353.05	3324.99	0.97	-0.12	2.00	360	HS
6	3350.00	2.00	353.05	3349.98	1.73	-0.21	2.00	0	HS
7	3375.00	2.50	353.05	3374.96	2.71	-0.33	2.00	360	HS
8	3400.00	3.00	353.05	3399.93	3.90	-0.48	2.00	0	HS
9	3425.00	3.50	353.05	3424.89	5.30	-0.65	2.00	360	HS
10	3450.00	4.00	353.05	3449.84	6.93	-0.84	2.00	360	HS
11	3475.00	4.50	353.05	3474.77	8.77	-1.07	2.00	0	HS
12	3500.00	5.00	353.05	3499.68	10.82	-1.32	2.00	360	HS
13	3525.00	5.50	353.05	3524.58	13.09	-1.60	2.00	360	HS
14	3550.00	6.00	353.05	3549.45	15.58	-1.90	2.00	0	HS
15	3575.00	6.50	353.05	3574.30	18.28	-2.23	2.00	360	HS
16	3600.00	7.00	353.05	3599.13	21.20	-2.58	2.00	360	HS
17	3625.00	7.50	353.05	3623.93	24.33	-2.97	2.00	0	HS
18	3650.00	8.00	353.05	3648.70	27.67	-3.37	2.00	360	HS
19	3675.00	8.50	353.05	3673.44	31.24	-3.81	2.00	360	HS
20	3700.00	9.00	353.05	3698.15	35.01	-4.27	2.00	360	HS
21	3725.00	9.50	353.05	3722.83	39.00	-4.76	2.00	360	HS
22	3750.00	10.00	353.05	3747.47	43.20	-5.27	2.00	360	HS
23	3775.00	10.50	353.05	3772.07	47.62	-5.81	2.00	360	HS
24	3800.00	11.00	353.05	3796.63	52.25	-6.37	2.00	0	HS
25	3825.00	11.50	353.05	3821.15	57.09	-6.96	2.00	360	HS
26	3850.00	12.00	353.05	3845.62	62.14	-7.58	2.00	360	HS
27	3875.00	12.50	353.05	3870.05	67.41	-8.22	2.00	360	HS
28	3900.00	13.00	353.05	3894.44	72.88	-8.89	2.00	360	HS
29	3925.00	13.50	353.05	3918.77	78.57	-9.58	2.00	360	HS
30	3950.00	14.00	353.05	3943.06	84.47	-10.30	2.00	360	HS
31	3975.00	14.50	353.05	3967.29	90.58	-11.05	2.00	360	HS
32	4000.00	15.00	353.05	3991.46	96.90	-11.82	2.00	360	HS
33	4025.00	15.50	353.05	4015.58	103.42	-12.61	2.00	360	HS
34	4050.00	16.00	353.05	4039.64	110.16	-13.43	2.00	360	HS
35	4075.00	16.50	353.05	4063.64	117.11	-14.28	2.00	0	HS
36	4100.00	17.00	353.05	4087.58	124.26	-15.15	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	4125.00	17.50	353.05	4111.46	131.62	-16.05	2.00	0	HS
38	4150.00	18.00	353.05	4135.27	139.18	-16.97	2.00	0	HS
39	4175.00	18.50	353.05	4159.01	146.95	-17.92	2.00	0	HS
40	4200.00	19.00	353.05	4182.68	154.93	-18.89	2.00	360	HS
41	4225.00	19.50	353.05	4206.29	163.11	-19.89	2.00	360	HS
42	4250.00	20.00	353.05	4229.82	171.50	-20.91	2.00	360	HS
43	4275.00	20.50	353.05	4253.27	180.09	-21.96	2.00	360	HS
44	4300.00	21.00	353.05	4276.65	188.88	-23.03	2.00	360	HS
45	4325.00	21.50	353.05	4299.95	197.87	-24.13	2.00	360	HS
46	4350.00	22.00	353.05	4323.17	207.07	-25.25	2.00	360	HS
47	4375.00	22.50	353.05	4346.31	216.47	-26.40	2.00	360	HS
48	4400.00	23.00	353.05	4369.36	226.06	-27.57	2.00	360	HS
49	4425.00	23.50	353.05	4392.33	235.86	-28.76	2.00	360	HS
50	4450.00	24.00	353.05	4415.22	245.85	-29.98	2.00	360	HS
51	4475.00	24.50	353.05	4438.01	256.05	-31.22	2.00	360	HS
52	4500.00	25.00	353.05	4460.71	266.43	-32.49	2.00	0	HS
53	4525.00	25.50	353.05	4483.32	277.02	-33.78	2.00	0	HS
54	4550.00	26.00	353.05	4505.84	287.80	-35.10	2.00	360	HS
55	4575.00	26.50	353.05	4528.26	298.78	-36.44	2.00	360	HS
56	4590.91	26.82	353.05	4542.48	305.86	-37.30	2.00	360	HS
57	5055.96	26.82	353.05	4957.52	514.13	-62.70	0.00		
58	5075.00	26.44	353.05	4974.53	522.60	-63.73	2.00	180	HS
59	5100.00	25.94	353.05	4996.97	533.56	-65.07	2.00	180	HS
60	5125.00	25.44	353.05	5019.50	544.31	-66.38	2.00	180	HS
61	5150.00	24.94	353.05	5042.12	554.87	-67.67	2.00	180	HS
62	5175.00	24.44	353.05	5064.83	565.24	-68.93	2.00	180	HS
63	5200.00	23.94	353.05	5087.64	575.41	-70.17	2.00	180	HS
64	5225.00	23.44	353.05	5110.53	585.38	-71.39	2.00	180	HS
65	5250.00	22.94	353.05	5133.51	595.15	-72.58	2.00	180	HS
66	5275.00	22.44	353.05	5156.58	604.72	-73.75	2.00	180	HS
67	5300.00	21.94	353.05	5179.73	614.09	-74.89	2.00	180	HS
68	5325.00	21.44	353.05	5202.96	623.26	-76.01	2.00	180	HS
69	5350.00	20.94	353.05	5226.27	632.23	-77.10	2.00	180	HS
70	5375.00	20.44	353.05	5249.66	641.00	-78.17	2.00	180	HS
71	5400.00	19.94	353.05	5273.12	649.56	-79.21	2.00	180	HS
72	5425.00	19.44	353.05	5296.66	657.92	-80.23	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	5450.00	18.94	353.05	5320.27	666.08	-81.23	2.00	180	HS
74	5475.00	18.44	353.05	5343.95	674.03	-82.20	2.00	180	HS
75	5500.00	17.94	353.05	5367.70	681.77	-83.14	2.00	180	HS
76	5525.00	17.44	353.05	5391.52	689.31	-84.06	2.00	180	HS
77	5550.00	16.94	353.05	5415.40	696.65	-84.96	2.00	180	HS
78	5575.00	16.44	353.05	5439.35	703.77	-85.83	2.00	180	HS
79	5600.00	15.94	353.05	5463.36	710.69	-86.67	2.00	180	HS
80	5625.00	15.44	353.05	5487.43	717.40	-87.49	2.00	180	HS
81	5650.00	14.94	353.05	5511.55	723.90	-88.28	2.00	180	HS
82	5675.00	14.44	353.05	5535.74	730.19	-89.05	2.00	180	HS
83	5700.00	13.94	353.05	5559.98	736.28	-89.79	2.00	180	HS
84	5725.00	13.44	353.05	5584.27	742.15	-90.51	2.00	180	HS
85	5750.00	12.94	353.05	5608.61	747.81	-91.20	2.00	180	HS
86	5775.00	12.44	353.05	5633.00	753.26	-91.86	2.00	180	HS
87	5800.00	11.94	353.05	5657.43	758.50	-92.50	2.00	180	HS
88	5825.00	11.44	353.05	5681.91	763.53	-93.11	2.00	180	HS
89	5850.00	10.94	353.05	5706.44	768.34	-93.70	2.00	180	HS
90	5875.00	10.44	353.05	5731.00	772.94	-94.26	2.00	180	HS
91	5900.00	9.94	353.05	5755.61	777.33	-94.80	2.00	180	HS
92	5925.00	9.44	353.05	5780.25	781.51	-95.31	2.00	180	HS
93	5950.00	8.94	353.05	5804.93	785.47	-95.79	2.00	180	HS
94	5975.00	8.44	353.05	5829.65	789.22	-96.25	2.00	180	HS
95	6000.00	7.94	353.05	5854.39	792.75	-96.68	2.00	180	HS
96	6025.00	7.44	353.05	5879.17	796.07	-97.08	2.00	180	HS
97	6050.00	6.94	353.05	5903.97	799.18	-97.46	2.00	180	HS
98	6075.00	6.44	353.05	5928.80	802.07	-97.81	2.00	180	HS
99	6100.00	5.94	353.05	5953.65	804.74	-98.14	2.00	180	HS
100	6125.00	5.44	353.05	5978.53	807.20	-98.44	2.00	180	HS
101	6150.00	4.94	353.05	6003.43	809.45	-98.71	2.00	180	HS
102	6175.00	4.44	353.05	6028.34	811.47	-98.96	2.00	180	HS
103	6200.00	3.94	353.05	6053.28	813.29	-99.18	2.00	180	HS
104	6225.00	3.44	353.05	6078.23	814.88	-99.38	2.00	180	HS
105	6250.00	2.94	353.05	6103.19	816.26	-99.54	2.00	180	HS
106	6275.00	2.44	353.05	6128.16	817.43	-99.69	2.00	180	HS
107	6300.00	1.94	353.05	6153.14	818.37	-99.80	2.00	180	HS
108	6325.00	1.44	353.05	6178.13	819.10	-99.89	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]
109	6350.00	0.94	353.05	6203.13	819.62	-99.95	2.00	180	HS
110	6375.00	0.43	353.05	6228.12	819.92	-99.99	2.00	180	HS
111	6396.88	0.00	171.58	6250.00	820.00	-100.00	0.00		
112	9396.88	0.00	0.00	9250.00	820.00	-100.00	0.00		

B. CEMENTING PROGRAM:

Surface casing: 350 sx Lite "C" (YLD 2.01 WT 12.4); Tail in w/ 200 sx Class "C" + 2% CaCl2 (YLD 1.34 WT 14.8).

Intermediate Casing: 825 sx Lite (YLD 2.01 WT 11.9); Tail in w/ 200 sx "C" + 2% CaCl2 (YLD 1.32 WT. 14.8)

Production Casing: Stage I: TOC 6500', 550 sx Super "H" (YLD 16.7 WT 13.0) DV tool + packer at 6500'. Tail in w/ 50 sx Thixset (YLD 1.4 WT 14.4).
Stage II: 550 sx Lite (YLD 2.5 WT 11.9); Tail in w/ 50 sx Premium (YLD 1.3 WT 14.8)

5. Mud Program and Auxiliary Equipment:

Interval	Type	Weight	Viscosity	Fluid Loss
0-500'	FW/Spud Mud	8.4-8.6	30-34	N/C
500'-3200'	Brine	10.0-10.2	28	N/C
3200'-5150'	Cut Brine	8.8-9.1	28-29	N/C
5150'-9250'	Cut Brine/Starch	8.8-9.2	28-32	<10-15cc

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: 30' samples surface to 3000'; 10' samples 3000'-TD.
Logging: Platform HALS; CMR.
Coring: None Anticipated.
DST's: As warranted.

7. Abnormal Conditions, Bottom hole pressure and potential hazards:
Anticipated BHP:

From:	O	TO:	500'	Anticipated Max.	BHP:	220	PSI
From:	500'	TO:	3200'	Anticipated Max.	BHP:	1700	PSI
From:	3200'	TO:	9250'	Anticipated Max.	BHP:	4400	PSI

No abnormal pressures or temperatures are anticipated.

Lost Circulation Zones Anticipated: None.

H2S Zones Anticipated: None

Maximum Bottom Hole Temperature: 168 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
Corral Draw AQH Federal #4
1150' FNL & 430' FWL Surface Hole Location
990' FNL and 330' FWL Bottom Hole Location
Section 13-T24S-R29E
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 36 miles east of Malaga, New Mexico and the access route to the location is indicated in red and green on Exhibit A.

DIRECTIONS:

Go east of Malaga, New Mexico on Duarte Road (CR-720) for .7 of a mile to Harroun Road (CR-745). Turn left on Harroun Road and go approx. 2.9 miles to Dog Town Road (CR-788). Turn right on Dog Town Road and go approx. 1.1 miles . Turn left here on caliche road and go 1.9 miles. Turn left here at a cattleguard and go past dry hole location with tanks on it to one more cattleguard. Turn right at first lease road past cattleguard (Devon Ore Ida Lease sign here) go approx. 1 mile. Turn left here on Devon's Orida lease road. Go northwest for .4 of a mile to the Orida Federal #1. Go east for .2 the the #4 well. Southeast to the #3 passing the #6 on the way. Turn left on lease road for .1 of a mile. The new road will start here going east for approx..3 of a mile then approx. 300 feet to the southwest corner of the proposed well location.

2. PLANNED ACCESS ROAD.

A. The proposed new access will be approximately 03 of a mile going east to the southwest corner of the drilling pad. The road will lie in a southeasterly 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. Traffic turnouts may 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 fresh water will be obtained from commercial sources and will be hauled to the location by truck over the existing and proposed roads shown in Exhibit A.

6. SOURCE OF CONSTRUCTION MATERIALS:

   Dirt contractor will locate closest pit and obtain any permits and 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 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 and will face to the east. 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 the 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

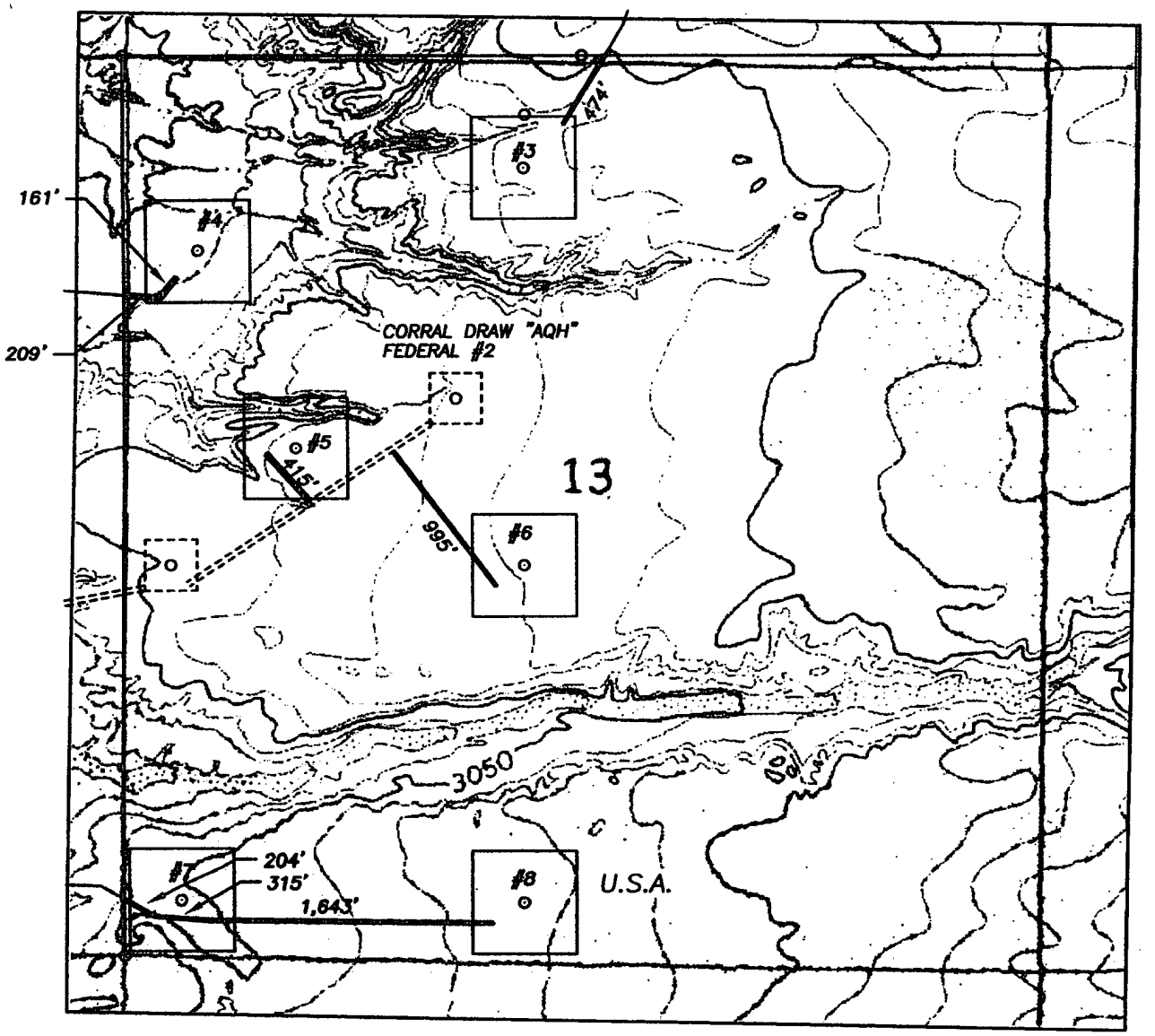
14. CERTIFICATION:

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.

7/5/2006

Regulatory Agent

SECTION 13, TOWNSHIP 24 SOUTH, RANGE 29 EAST, NMPM, EDDY COUNTY, NEW MEXICO.



1000' 0 1000' 2000'

Scale 1" = 1000'

THE PREPARATION OF THIS PLAT AND THE PERFORMANCE OF THE SURVEY UPON WHICH IT IS BASED WERE DONE UNDER MY DIRECTION AND THE PLAT ACCURATELY DEPICTS THE RESULTS OF SAID SURVEY AND MEET THE REQUIREMENTS OF THE STANDARDS FOR LAND SURVEYS IN NEW MEXICO AS ADOPTED BY THE NEW MEXICO STATE BOARD FOR REGISTRATION FOR PROFESSIONAL ENGINEERS AND LAND SURVEYORS.

NEW MEXICO 3640 REGISTERED PROFESSIONAL LAND SURVEYOR

HERSCHEL L. JONES R.P.S. No.3640

GENERAL SURVEYING COMPANY P.O. BOX 1928
LOVINGTON, NEW MEXICO 88260

YATES PETROLEUM CORP.

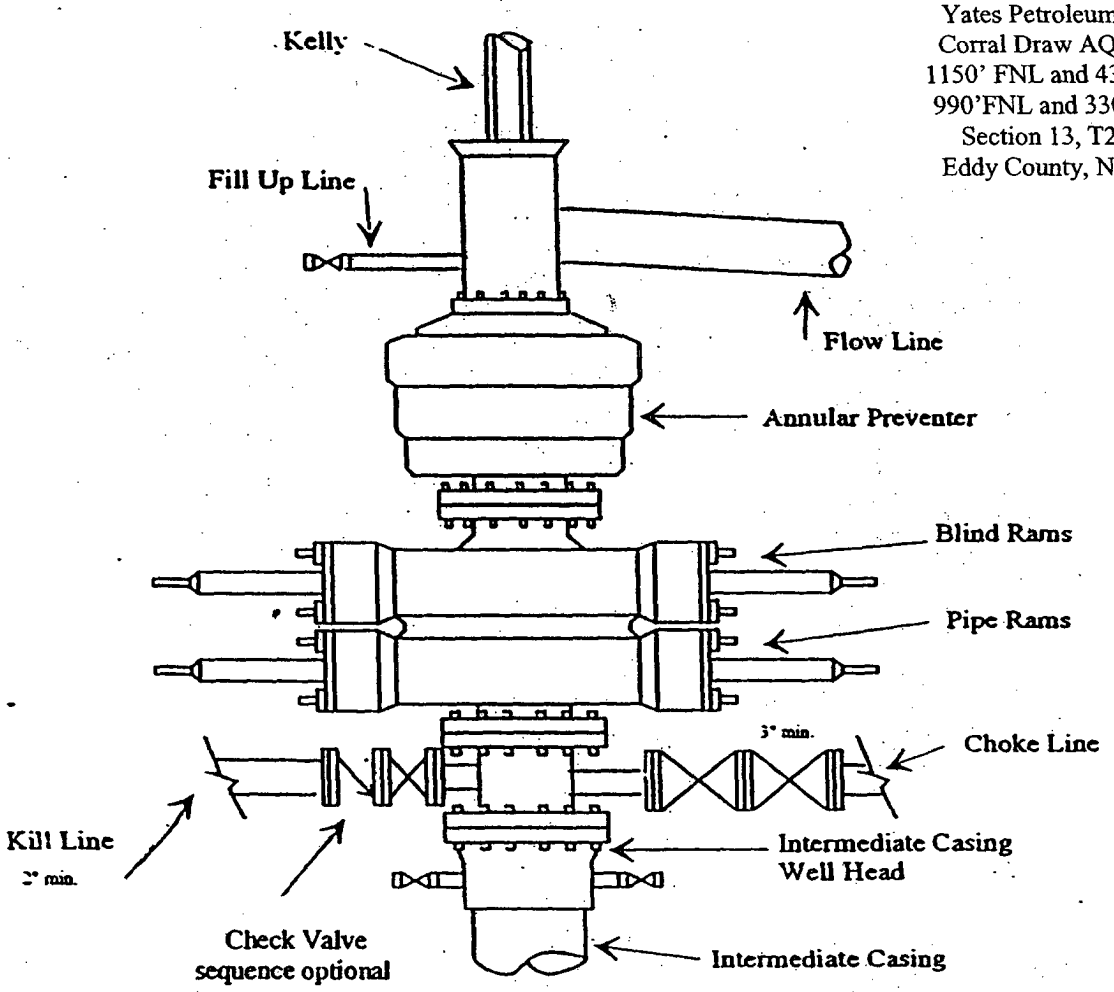
LEASE ROAD TO ACCESS THE YATES CORRAL DRAW "AQH" FEDERAL #3,#4,#5,#6,#7, & #8 WELLS, LOCATED IN SECTION 13, TOWNSHIP 24 SOUTH, RANGE 29 EAST, NMPM, EDDY COUNTY, NEW MEXICO.

Survey Date: 4/18/2006	Sheet 3 of 3 Sheets	
Drawn By: Ed Blevins	W.O. Number	
Date: 4/18/06	Scale 1" = 1000'	CORRAL DW

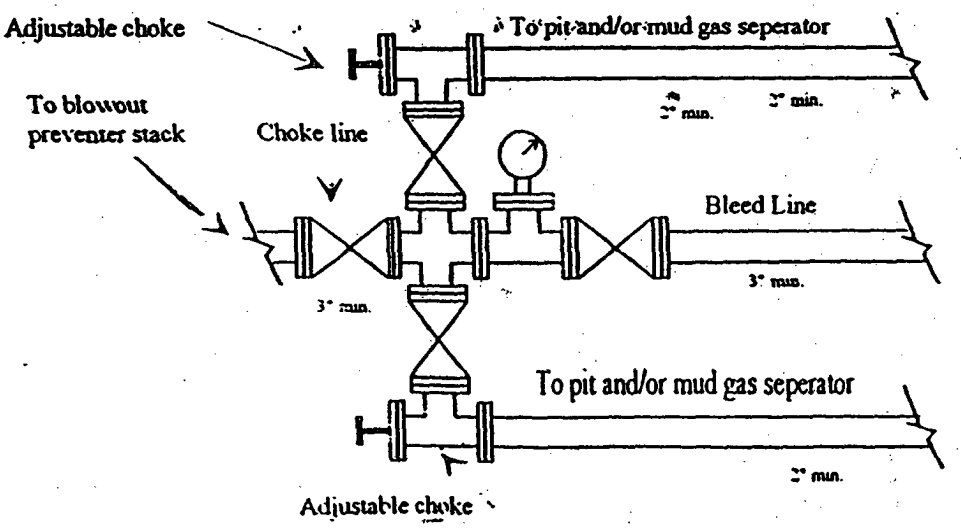
Yates Petroleum Corporation

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

Yates Petroleum Corporation
Corral Draw AQH Federal #4
1150' FNL and 430' FWL SHL
990'FNL and 330' FWL BHL
Section 13, T24S-R29E
Eddy County, New Mexico



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



PB - L1

Yates Petroleum Corporation

Location Layout for Permian Basin

Up to 12,000'

Pit EAST

Yates Petroleum Corporation
Corral Draw AQH Federal #4
1150' FNL and 430' FWL SHL
990'FNL and 330' FWL BHL
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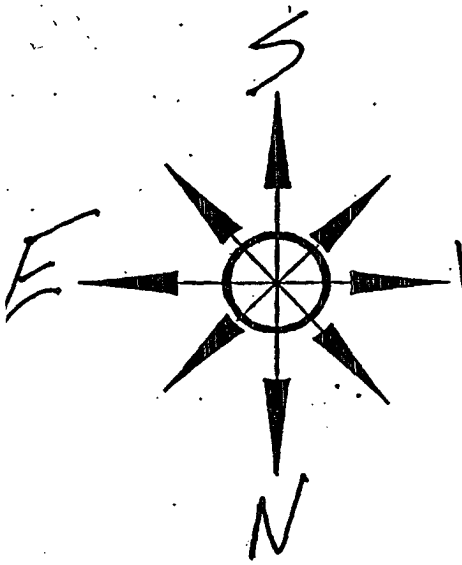

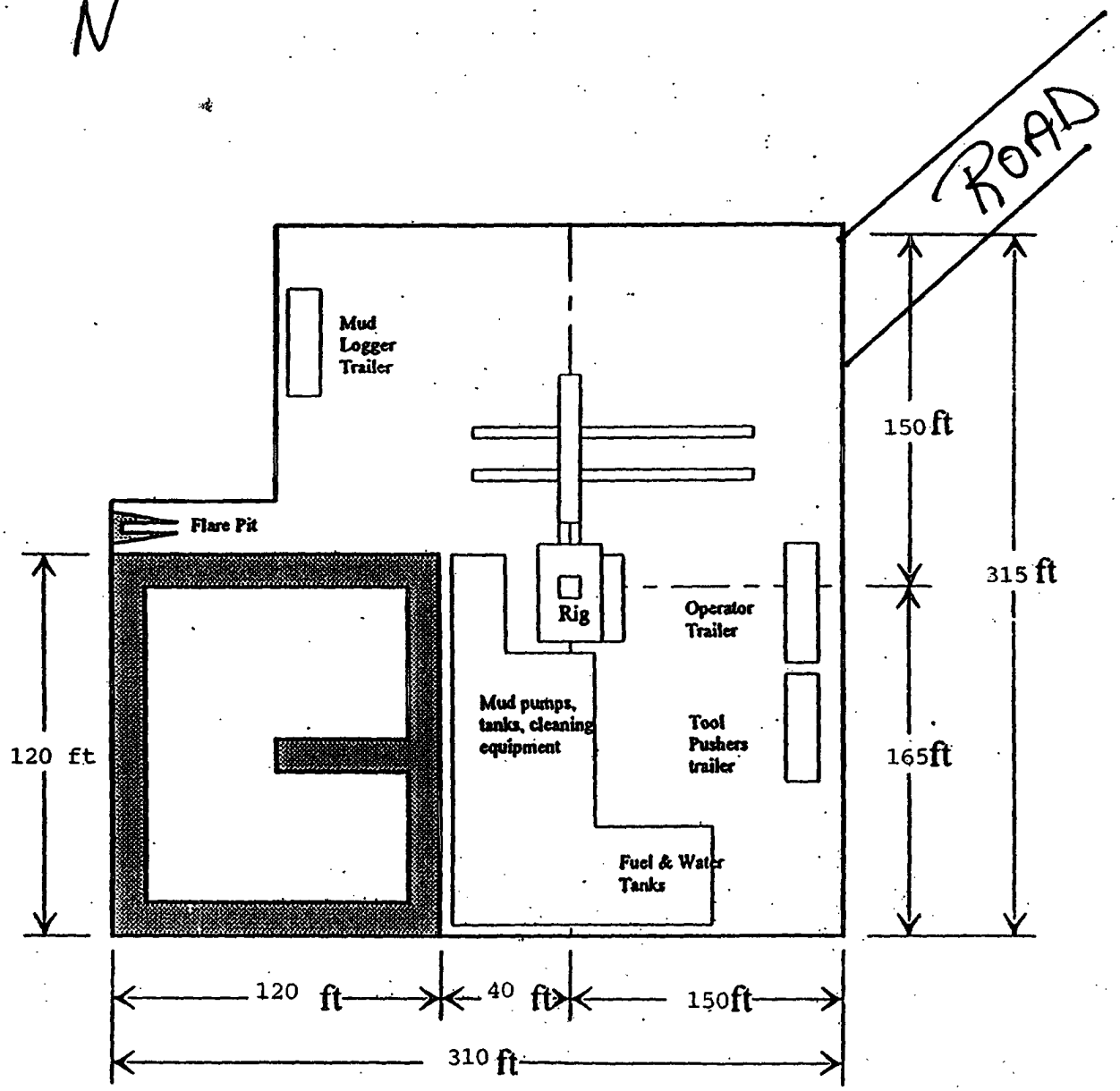

Distance from Well Head to Reserve Pit will vary between rigs

The above dimension should be a maximum

CONDITIONS OF APPROVAL - DRILLING

Operator's Name: Yates Petroleum Corporation **Well No.** 4 – Corral Draw AQH Federal
Location: SH: 1150' FNL & 430' FWL BH: 990' FNL & 330' FWL **sec.** 13, **T.** 24 S., **R.** 29 E.
Lease: NM-88136

I. DRILLING OPERATIONS REQUIREMENTS:

1. The Bureau of Land Management (BLM) is to be notified at (505) 361-2822 in sufficient time for a representative to witness:

A. Spudding

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

2. Unless the production casing has been run and cemented or the well has been properly plugged, the drilling rig shall not be removed from over the hole without prior approval.

3. Include the API No. assigned to well by NMOCD on the subsequent report of setting the first casing string.

II. CASING:

1. 13-3/8 inch surface casing should be set **at approximately 500 feet,** below usable water and circulate cement to the surface. If cement does not circulate to the surface, the BLM Carlsbad Field 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. Minimum required fill of cement behind the 8-5/8 inch intermediate casing is **sufficient to circulate to the surface.**

3. Minimum required fill of cement behind the 5-1/2 inch production casing is **sufficient to tie back to 500 feet above the uppermost perforation in the pay zone.**

III. PRESSURE CONTROL:

1. Before drilling below the 13-3/8 inch surface casing, the blowout preventer assembly shall consist of a minimum of One Annular Preventer or Two Ram-Type Preventers and a Kelly Cock/Stabbing Valve. Before drilling below the 8-5/8 inch intermediate casing, the blowout preventer assembly shall consist of a minimum of One Annular Preventer, Two Ram-Type Preventers, and a Kelly Cock/Stabbing Valve.

2. Before drilling below the 13-3/8 inch surface casing, minimum working pressure of the blowout preventer and related equipment (BOPE) shall be 2000 psi. Before drilling below the 8-5/8 inch intermediate casing, minimum working pressure of the blowout preventer and related equipment (BOPE) shall be 3000 psi.

3. Before drilling below the 8-5/8 inch intermediate casing, the BOPE shall be tested as described in Onshore Order No. 2. Any equipment failing to test satisfactorily shall be repaired or replaced.

A. The results of the test will be reported to the BLM Carlsbad Field Office at 620 East Greene Street, Carlsbad, New Mexico 88220-6292.

B. 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.

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