

063
AT50766

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

Form 3160-3*
(August 1999)



355

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER



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

1a. Type of Work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. NM-14459	
b. Type of Well: <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other <input type="checkbox"/> Single Zone <input checked="" type="checkbox"/>		6. If Indian, Allottee or Tribe Name Not Applicable	
2. Name of Operator Yates Petroleum Corporation		7. If Unit or CA Agreement, Name and No. Not Applicable	
3A. Address 105 South Fourth Street Artesia, New Mexico 88210		8. Lease Name and Well No. 12559 Mescal SE Federal #2	
3b. Phone No. (include area code) (505) 748-1471		9. API Well No. 30-015-35509	
4. Location of Well (Report location clearly and in accordance with any State requirements. *) At surface 190' FSL and 760' FWL Unit N (SESW) Surface Location At proposed prod. Zone 990' FSL and 660' FWL Unit N (SESW) Bottom Hole Location		10. Field and Pool, or Exploratory Section 18, T21S-R22E	
14. Distance in miles and direction from nearest town or post office* Approximately forty five miles (45) miles, south and west of Artesia, New Mexico		12. County or Parish Eddy	
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 990'		13. State NM	
16. No. of Acres in lease 802.88		17. Spacing Unit dedicated to this well S/2	
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 990'		20. BLM/BIA Bond No. on file NMB000434	
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 4515 GL		22. Approximate date work will start* ASAP	
		23. Estimated duration 30 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. | 4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above). |
| 2. A Drilling Plan. | 5. Operator certification. |
| 3. A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office). | 6. Such other site specific information and/or plans as may be required by the authorized office. |

25. Signature		Name (Printed/Typed) Debbie L. Caffall	Date 1/22/2007
Title: Regulatory Agent/Land Department			
Approved by (Signature) /s/ Tony J. Herrell		Name (Printed/Typed) /s/ Tony J. Herrell	Date MAR 09 2007
Title 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 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

*(Instructions on reverse)

C-144 attached

SEE ATTACHED FOR
CONDITIONS OF APPROVAL

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS
AND SPECIAL STIPULATIONS
ATTACHED

MARTIN YATES, III
1912-1985

FRANK W. YATES
1936-1986



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

S.P. YATES
CHAIRMAN EMERITUS
JOHN A. YATES
CHAIRMAN OF THE BOARD
PEYTON YATES
PRESIDENT
FRANK YATES, JR.
EXECUTIVE VICE PRESIDENT
JOHN A. YATES, JR.
SENIOR VICE PRESIDENT

March 27, 2007

State of New Mexico
Oil Conservation Division
1301 W. Grand Avenue
Artesia, NM 88210

RE: C-102 for Mescal "SE" Federal #2

Bryan:

Enclosed please find updated C-102 per your request via E-mail this date on the above captioned.

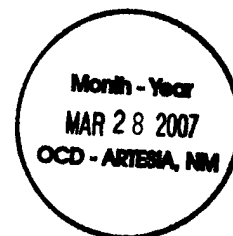
If you have questions, please contact Debbie Caffall at (505) 748-4376 or Shirley Pruitt at 748-4356.
Thank you.

Sincerely,
YATES PETROLEUM CORPORATION



Shirley Pruitt
Regulatory Technician

/sp
Enclosure(s)



DISTRICT I
1625 N. French Dr., Hobbs, NM 88240

DISTRICT II
1301 W. Grand Avenue, Artesia, NM 88210

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION

1220 South St. Francis Dr.
Santa Fe, New Mexico 87505

Revised Oct 12, 2005

Submit to Appropriate District
State License Fee 4.00
Fee License 3.00

Month-Year
MAR 28 2007
OCD - ARTESIA, NM

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Pool Name <i>Wildcat; Miss GAS</i>
Property Code	Property Name Mescal "SE" FEDERAL	Well Number 2
OGRID No. 025575	Operator Name YATES PETROLEUM CORPORATION	Elevation 4515

Surface Location

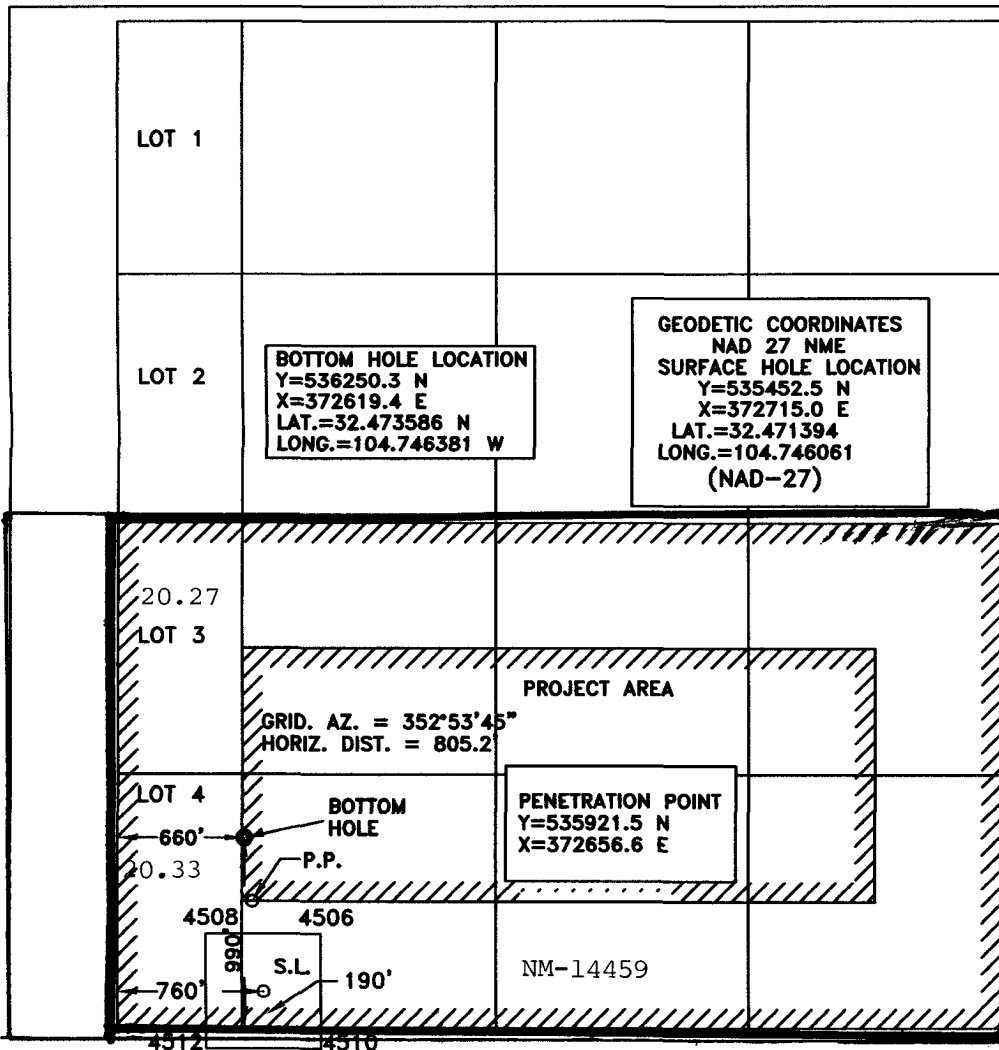
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
N	18	21S	22E		190	SOUTH	760	WEST	EDDY

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
N	18	21S	22E		990	SOUTH	660	WEST	EDDY

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.
280.60 S/2			

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 that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.

Debbie L. Caffall 03/27/2007
Signature Date

Debbie L. Caffall
Printed Name

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

12/12/2006

Date Surveyed
Signature & Seal of Professional Surveyor

Herschell L. Jones
HERSCHELL L. JONES
NEW MEXICO
3640
Certification No. Herschell L. Jones 3640
GENERAL SURVEYING

YATES PETROLEUM CORPORATION

Mescal SE Federal #2

190' FSL and 760' FWL, Unit N (SESW) surface hole location

990' FSL and 660' FWL, Unit N (SESW) bottom hole location

Section 18,-T21S-R22E

Eddy County, New Mexico

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

San Andres	545'
Glorieta	1,975'
Upper Yeso	2,095'
Tubb	2,849'
Lower Yeso	2,966'
ABO	3,517'
Wolfcamp	4,973'
Cisco	5,933'
Strawn	7,483'
Atoka	8,003'
Upper Morrow	8,151'
Middle Morrow	8,313'
Lower Morrow	8,383'
Chester Lm	8,593'
TD	8,698'

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

Water: 150'-200'

Oil or Gas: All potential zones.

3. Pressure Control Equipment: Rotating Head installed on 13 3/8" casing. 5000 psi BOP system nipped up on 9 5/8" casing, 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
17 1/2"	13 3/8"	48#	H-40	ST&C	0-400'
12 1/4"	9 5/8"	36#	J-55	ST&C	0-2050'
8 3/4"	5 1/2"	17#	L-80	LT&C	0-5600'
			HCP- 110	LT&C	5600'-8698'

1. Minimum Casing Design Factors: Collapse 1.125, Burst 1.0, Tensile Strength 1.8

A. CEMENTING PROGRAM:

Surface Casing: 150 sx C Lite (YLD 1.98 WT 12.50). Tail in with 200 sx C / CaCl₂ 2% (YLD 1.34 WT 14.80).

Intermediate Casing: 180 sx Thixotropi (YLD 1.52 WT 14.60) and 400 sx C Lite (YLD 1.98 WT 12.50). Tail in with 200 sx C / CaCl₂ 2% (YLD 1.34 WT 14.80).

Production Casing: 500 sx C Lite (YLD 2.51 WT 11.50). Tail in with 1375 sx H (15:61:11H make up) (YLD 1.64 WT 13.20).

5. MUD PROGRAM AND AUXILIARY EQUIPMENT:

<u>Interval</u>	<u>Type</u>	<u>Weight</u>	<u>Viscosity</u>	<u>Fluid Loss</u>
0-400'	Fresh Water/Air Mist	8.4 – 8.4	28-28	N/C
400'-2050'	Fresh Water/Air Mist	8.4 – 8.4	28-28	N/C
2050'-7948'	Cut Brine/6% KCL @ 3434'	9.1 – 9.5	28-28	N/C
7948'-8698'	Salt Water Gel/Starch	9.4 – 9.6	33-40	>12/cc

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—Surface casing to TD.

Logging: Platform Express: CNL/LDT/NGT from TD to surface casing
 HALS/NGT; Possible FMI CNL/GR from TD to surface.
 & Rotary Sidwall Cores DLL-MSFL from TD to surface casing.
 BHC-Sonic from TD to surface casing.

Coring: None Anticipated

DST's: Possible from ABO to TD

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

Anticipated BHP:

From: 0	TO: 400' TVD	Anticipated Max. BHP: 175 PSI
From: 400'	TO: 2050' TVD	Anticipated Max. BHP: 895 PSI
From: 2050'	TO: 8550' TVD	Anticipated Max. BHP: 4270 PSI

Abnormal Pressures Anticipated: None

Lost Circulation Zones Anticipated: None.

H₂S Zones Anticipated: None Anticipated

Maximum Bottom Hole Temperature: 110 F

8. ANTICIPATED STARTING DATE:

Plans are to drill this well as soon as possible after receiving approval. It should take approximately 25 days to drill the well with completion taking another 20 days.

MULTI-POINT SURFACE USE AND OPERATIONS PLAN

Mescal SE Federal #2

190' FSL and 760' FWL, Unit N (SESW)

990' FSL and 660' FWL, Unit N (SESW)

Section 18,-T21S-R22E

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 45 miles Southwest of Artesia, New Mexico and the access route to the location is indicated in red and green on Exhibit A.

DIRECTIONS:

Go South of Artesia on Highway 285 for approximately 20.4 miles to Queens Hwy (SR 137), turn west (right) on to Queens Hwy. Travel approximately 8 miles to the Marathon Plant Road (CR 401). Take west (right) fork and travel approximately 8.8 miles to CR 400 (Box Canyon Road) Turn right and go approximately 6.5 miles turn east/northeast and travel approximately .9 of a mile to the edge of the Box Canyon Unit #5 well pad. The new access lease road will start here with a faded two track heading east / northeast .2 of a mile.

2. PLANNED ACCESS ROAD:

- A. The proposed new access will be approximately 689.9 '(section 24, T21S-R21E) 2,497.1' (section 19, T21S-R22E) 63.9' (section 18, T21S-R21E) in length from the point of origin to the south/southwest corner of the drilling pad. The new road will lie in an east/north 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. Existing roads will be maintained in the same or better condition.

3. LOCATION OF EXISTING WELL:

- A. There is drilling activity within a one-mile radius of the wellsite.
- B. Exhibit D shows existing wells within a one-mile radius of the proposed wellsite.

4. LOCATION OF EXISTING AND/OR PROPOSED FACILITIES:

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

5. LOCATION AND TYPE OF WATER SUPPLY:

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

6. SOURCE OF CONSTRUCTION MATERIALS:

Dirt contractor will locate 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 land fill. Burial on site is not approved.

8. ANCILLARY FACILITIES: NONE

9. WELLSITE LAYOUT:

- A. Exhibit C shows the relative location and dimensions of the well pad, the reserve pits, the location of the drilling equipment, rig orientation and access road approach.
- B. The reserve pits will be plastic lined.
- C. A 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: U.S.A. – Bureau of Land Management
Carlsbad, New Mexico Field Office

#8050 – Texas Hill Allotment
Corrales Livestock Corporation
P.O. Box 1591
Carlsbad, NM 88220

Minerals: USA - Bureau of Land Management
Carlsbad, New Mexico Field Office

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:
Debbie L. Caffall, Permit Agent
Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210
Phone (505) 748-1471 | B. Through Drilling, Completions & Prod.
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.

1/22/07


Regulatory Agent

0	0	0	0	0	0	0			
545	0	0	545	0	0	0			SAN ANDRES
1975	0	0	1975	0	0	0			GLORIETA
2095	0	0	2095	0	0	0			UPPER YESO
2125	0.62	352.88	2125	0.14	-0.02	2.5	0	HS	
2150	1.25	352.88	2150	0.54	-0.07	2.5	0	HS	
2175	1.88	352.88	2174.99	1.22	-0.15	2.5	0	HS	
2200	2.5	352.88	2199.97	2.16	-0.27	2.5	0	HS	
2225	3.12	352.88	2224.94	3.38	-0.42	2.5	0	HS	
2250	3.75	352.88	2249.89	4.87	-0.61	2.5	0	HS	
2275	4.38	352.88	2274.83	6.63	-0.83	2.5	0	HS	
2300	5	352.88	2299.75	8.65	-1.08	2.5	0	HS	
2325	5.63	352.88	2324.64	10.95	-1.37	2.5	0	HS	
2350	6.25	352.88	2349.5	13.52	-1.69	2.5	0	HS	
2375	6.88	352.88	2374.34	16.35	-2.04	2.5	0	HS	
2400	7.5	352.88	2399.14	19.46	-2.43	2.5	0	HS	
2425	8.12	352.88	2423.91	22.83	-2.85	2.5	0	HS	
2450	8.75	352.88	2448.64	26.47	-3.31	2.5	0	HS	
2475	9.38	352.88	2473.33	30.37	-3.8	2.5	0	HS	
2500	10	352.88	2497.97	34.55	-4.32	2.5	0	HS	
2525	10.62	352.88	2522.57	38.99	-4.87	2.5	0	HS	
2550	11.25	352.88	2547.11	43.7	-5.46	2.5	0	HS	
2575	11.87	352.88	2571.61	48.67	-6.08	2.5	0	HS	
2600	12.5	352.88	2596.04	53.91	-6.74	2.5	0	HS	
2625	13.12	352.88	2620.42	59.41	-7.43	2.5	0	HS	
2650	13.75	352.88	2644.74	65.17	-8.15	2.5	0	HS	
2675	14.38	352.88	2668.99	71.2	-8.9	2.5	0	HS	
2700	15	352.88	2693.17	77.49	-9.69	2.5	0	HS	
2725	15.63	352.88	2717.28	84.04	-10.51	2.5	0	HS	
2750	16.25	352.88	2741.32	90.85	-11.36	2.5	0	HS	
2775	16.87	352.88	2765.28	97.92	-12.24	2.5	0	HS	
2800	17.5	352.88	2789.17	105.25	-13.16	2.5	0	HS	
2825	18.13	352.88	2812.97	112.84	-14.11	2.5	0	HS	
2849	18.75	352.88	2835.74	120.37	-15.05	2.5	0	HS	TUBB
2850	18.75	352.88	2836.69	120.69	-15.09	2.5	0	HS	
2875	19.37	352.88	2860.31	128.79	-16.1	2.5	0	HS	
2900	20	352.88	2883.85	137.15	-17.14	2.5	0	HS	
2925	20.63	352.88	2907.3	145.76	-18.22	2.5	0	HS	
2950	21.25	352.88	2930.65	154.62	-19.33	2.5	0	HS	
2966	21.88	352.88	2945.54	160.43	-20.05	2.5	0	HS	LOWER YESO
2975	21.87	352.88	2953.9	163.74	-20.47	2.5	0	HS	
3000	22.5	352.88	2977.05	173.11	-21.64	2.5	0	HS	
3025	23.12	352.88	3000.09	182.73	-22.84	2.5	0	HS	
3050	23.75	352.88	3023.03	192.59	-24.07	2.5	0	HS	
3075	24.38	352.88	3045.86	202.71	-25.34	2.5	0	HS	
3100	25	352.88	3068.57	213.07	-26.63	2.5	0	HS	
3116.52	25.41	352.88	3083.52	220.05	-27.51	2.5	0	HS	
3516.94	25.41	352.88	3475	404.61	50.58	0			ABO
3960.81	25.41	352.88	3846.11	579.57	-72.45	0			
3975	25.06	352.88	3858.87	585.74	-73.22	2.5	180	HS	
4000	24.43	352.88	3881.57	596.12	-74.52	2.5	180	HS	
4025	23.81	352.88	3904.39	606.26	-75.78	2.5	180	HS	
4050	23.18	352.88	3927.32	616.15	-77.02	2.5	180	HS	
4075	22.56	352.88	3950.35	625.79	-78.22	2.5	180	HS	
4100	21.93	352.88	3973.49	635.18	-79.4	2.5	180	HS	
4125	21.31	352.88	3996.73	644.32	-80.54	2.5	180	HS	
4150	20.68	352.88	4020.07	653.21	-81.65	2.5	180	HS	
4175	20.06	352.88	4043.51	661.85	-82.73	2.5	180	HS	
4200	19.43	352.88	4067.04	670.23	-83.78	2.5	180	HS	
4225	18.8	352.88	4090.66	678.36	-84.79	2.5	180	HS	
4250	18.18	352.88	4114.37	686.23	-85.78	2.5	180	HS	
4275	17.55	352.88	4138.16	693.84	-86.73	2.5	180	HS	
4300	16.93	352.88	4162.04	701.19	-87.65	2.5	180	HS	
4325	16.3	352.88	4186	708.29	-88.54	2.5	180	HS	
4350	15.68	352.88	4210.03	715.12	-89.39	2.5	180	HS	
4375	15.05	352.88	4234.14	721.7	-90.21	2.5	180	HS	
4400	14.42	352.88	4258.31	728.02	-91	2.5	180	HS	
4425	13.8	352.88	4282.56	734.07	-91.76	2.5	180	HS	
4450	13.17	352.88	4306.87	739.86	-92.48	2.5	180	HS	
4475	12.55	352.88	4331.24	745.38	-93.17	2.5	180	HS	
4500	11.92	352.88	4355.67	750.65	-93.83	2.5	180	HS	
4525	11.29	352.88	4380.16	755.64	-94.46	2.5	180	HS	

Yates Petroleum Corporation
 Mescal SE Federal #2
 190' FSL and 760' FWL Unit N Lot 4 (SL)
 990' FSL and 660' FWL, Unit N Lot 4 (BH)
 Section 18, T21S-R22E Eddy County, New
 Mexico

4550	10.67	352.88	4404.71	760.38	-95.05	2.5	180	HS	
4575	10.04	352.88	4429.3	764.84	-95.61	2.5	180	HS	
4600	9.41	352.88	4453.94	769.04	-96.13	2.5	180	HS	
4625	8.79	352.88	4478.62	772.97	-96.62	2.5	180	HS	
4650	8.16	352.88	4503.35	776.64	-97.08	2.5	180	HS	
4675	7.53	352.88	4528.12	780.04	-97.5	2.5	180	HS	
4700	6.9	352.88	4552.92	783.17	-97.9	2.5	180	HS	
4725	6.27	352.88	4577.75	786.03	-98.25	2.5	180	HS	
4750	5.64	352.88	4602.62	788.62	-98.58	2.5	180	HS	
4775	5.01	352.88	4627.51	790.94	-98.87	2.5	180	HS	
4800	4.38	352.88	4652.43	793	-99.12	2.5	180	HS	
4825	3.74	352.88	4677.36	794.78	-99.35	2.5	180	HS	
4850	3.1	352.88	4702.32	796.29	-99.54	2.5	180	HS	
4875	2.46	352.88	4727.29	797.54	-99.69	2.5	180	HS	
4900	1.79	352.88	4752.27	798.51	-99.81	2.5	180	HS	
4925	1.09	352.88	4777.26	799.21	-99.9	2.5	180	HS	
4950	0	352.88	4802.26	799.64	-99.96	2.5	180	GN	
4972.74	0	352.88	4827.26	799.8	-99.98	2.5	180	GN	WOLF CAMP
4975	0	352.88	4827.26	799.8	-99.98	2.5	180	GN	
4977.83	0	172.88	4830	799.81	-99.98	2.5	173	GN	
5932.83	0	0	5785	800	-100	0			DISCO
7432.83	0	0	7335	800	-100	0			STRAWN
8032.83	0	0	7950	800	-100	0			AKOBA
8132.83	0	0	8013	800	-100	0			SUPERMORROW
8232.83	0	0	8163	800	-100	0			IMBEL MORROW
8332.83	0	0	8235	800	-100	0			POWER MORROW
8432.83	0	0	8245	800	-100	0			CHIEF ME
8932.83	0	0	8550	800	-100	0			ID

Yates Petroleum Corporation

Mescal SE Federal #2

190' FSL and 760' FWL Unit N Lot 4 (SL)

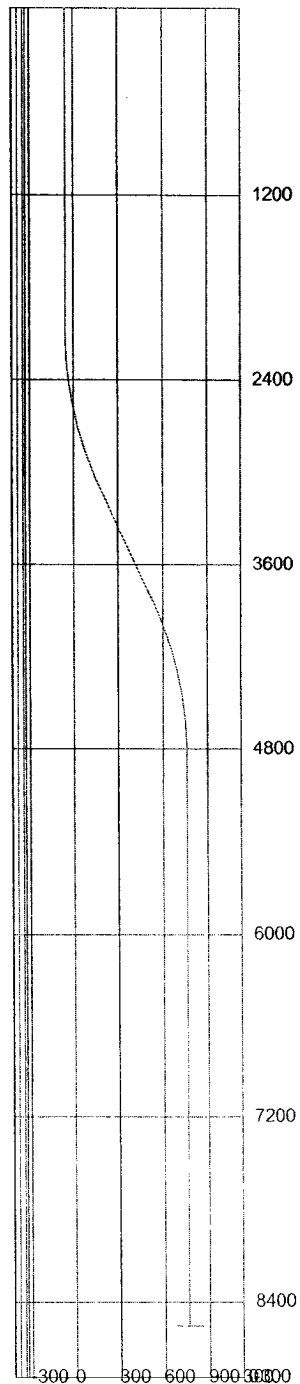
990' FSL and 660' FWL, Unit N Lot 4 (BH)

Section 18, T21S-R22E Eddy County, New Mexico

3D³ Directional Drilling Planner - 3D View

Company: Yates Petroleum Corporation

Well: Mescal SE Federal #2



Yates Petroleum Corporation

Mescal SE Federal #2

190' FSL and 760' FWL Unit N Lot 4 (SL)

990' FSL and 660' FWL, Unit N Lot 4 (BH)

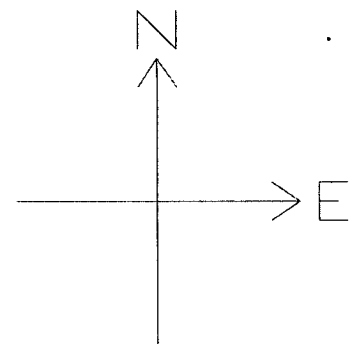
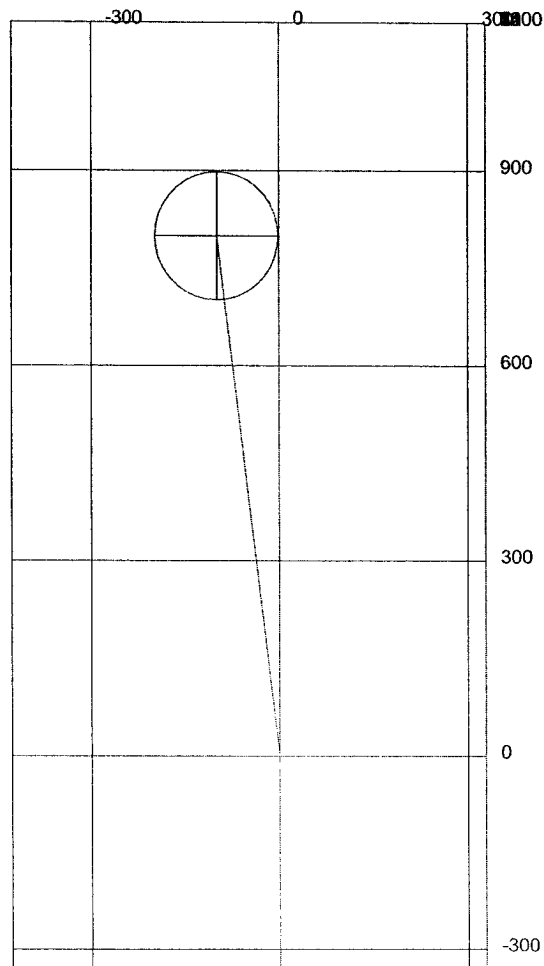
Section 18, T21S-R22E Eddy County, New

Mexico

3D³ Directional Drilling Planner - 3D View

Company: Yates Petroleum Corporation

Well: Mescal SE Federal #2



Yates Petroleum Corporation

Mescal SE Federal #2

190' FSL and 760' FWL Unit N Lot 4 (SL)

990' FSL and 660' FWL, Unit N Lot 4 (BH)

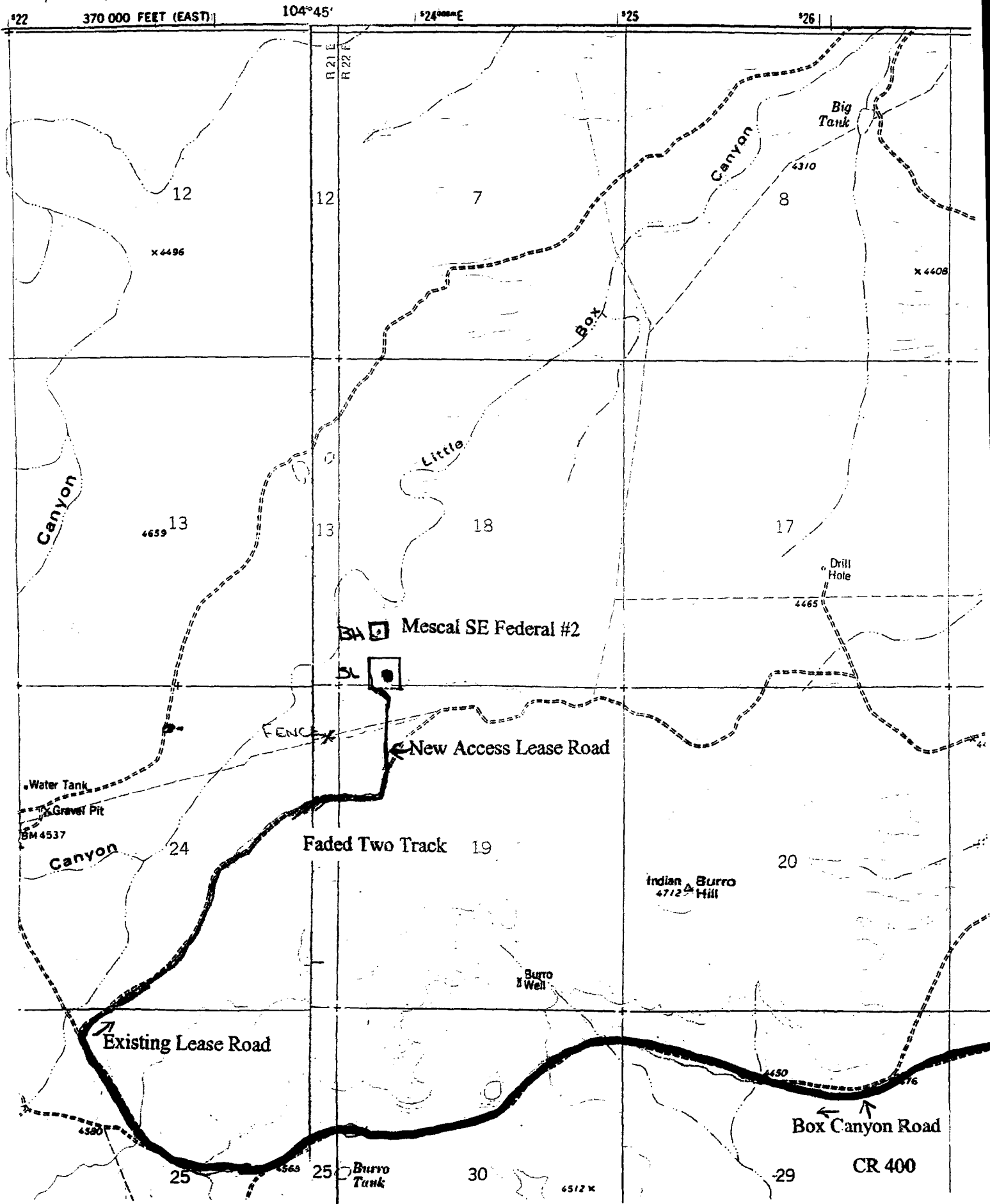
Section 18, T21S-R22E Eddy County, New Mexico

TEXAS HILL QUADRANGLE
NEW MEXICO
MINUTE SERIES (TOPOGRAPHIC)

NE/4 TEXAS HILL 15' QUADRANGLE

Yates Petroleum Corporation
 Mescal SE Federal #2
 190' FSL and 760' FWL Unit N Lot 4 (SL)
 990' FSL and 660' FWL, Unit N Lot 4 (BH)
 Section 18, T21S-R22E Eddy County, New
 Mexico Exhibit "A"

Carley Draw

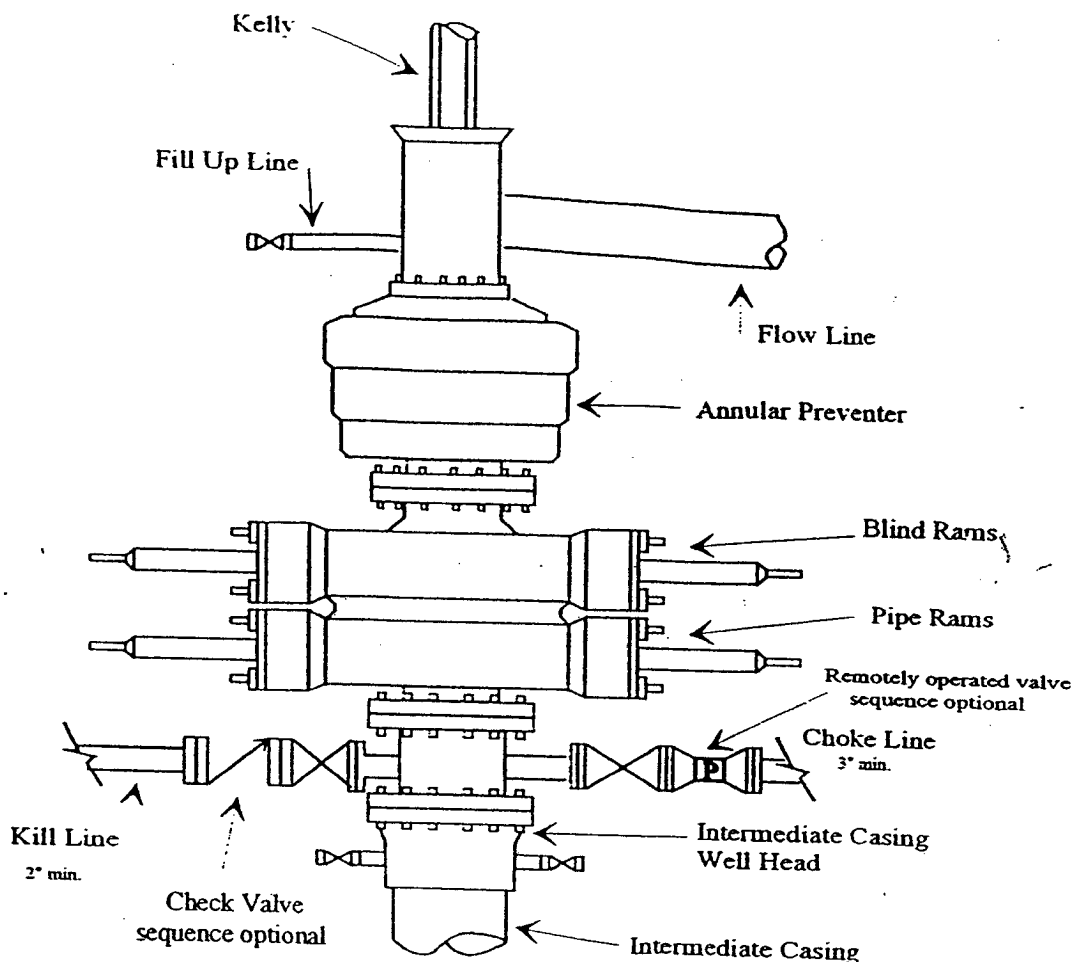




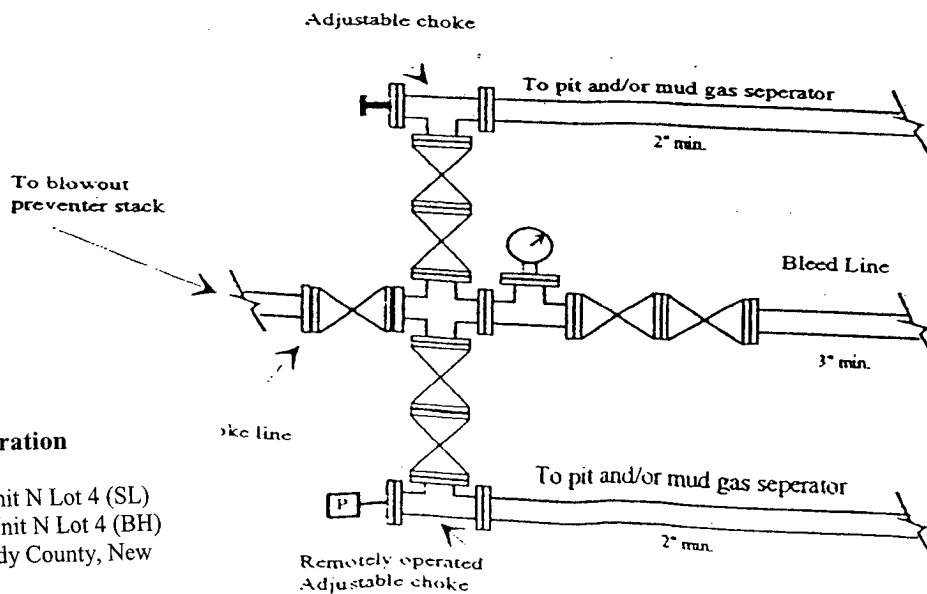
Yates Petroleum Corporation

BOP-4

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



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



Yates Petroleum Corporation

Mescal SE Federal #2

190' FSL and 760' FWL Unit N Lot 4 (SL)

990' FSL and 660' FWL, Unit N Lot 4 (BH)

Section 18, T21S-R22E Eddy County, New

Mexico Exhibit "B"

CONDITIONS OF APPROVAL - DRILLING

Operator's Name: Yates Petroleum Corp.
Well Name & No. Mescal SE Federal # 2
Location: 190'FSL, 760'FWL, SEC18, T21S, R22E, Eddy County, NM
BHL: 990'FSL, 660'FWL, SEC18, T21S, R22E, Eddy County, NM
Lease: NM-14459

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; 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: 13.375 inch 9.625 inch 5.5 inch
 - C. BOP tests
2. A Hydrogen Sulfide (H₂S) Drilling Plan should be activated prior to drilling into the N/A Formation. A copy of the plan shall be posted at the drilling site.
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.
6. A Communitization Agreement covering the acreage dedicated to this well must be filed for approval with the BLM. The effective date of the agreement shall be prior to any sales.
7. Gamma-Ray/Neutron logs shall be run from the base of the Salado Formation to the surface; cable speed not to exceed 30 feet per minute.

II. CASING:

1. The 13.375 inch surface casing shall be set at APPROXIMATELY 400 TO 545 feet, below usable water 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. **Potential for lost circulation in the Artesia Group formations may warrant setting surface casing in the deeper range.**
2. The minimum required fill of cement behind the 9.625 inch intermediate casing is **circulate cement to the surface.**
3. The minimum required fill of cement behind the 5-1/2 inch production casing is **cement shall extend upward a minimum of 200 feet above the base of the intermediate casing string.**
4. Whenever a casing string is cemented in the R-111-P Potash Area, cement shall be allowed to stand a minimum of twelve (12) hours under pressure and a total of twenty-four (24) hours before drilling the plug or initiating tests.

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 13.375 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) required for drilling the surface and intermediate casing shall be 2000 psi. Minimum working pressure of the blowout preventer and related equipment (BOPE) required for drilling below the 9.625 inch casing shall be 3000 psi.
3. The appropriate BLM office shall be notified in sufficient time for a representative to witness the tests.
 - A variance to test the _____ to the reduced pressure of ____psi with the rig pumps is approved.
 - 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 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.
 - BOPE must be tested prior to drilling into the **Wolfcamp** Formation by an independent service company.

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:

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

Engineering may be contacted at 505-706-2779 for variances if necessary.

Fwright 2/2/07