

**CEMENT TO COVER ALL OIL,
GAS AND WATER BEARING
ZONES**

**V-Dist. 2
Avenue
88210**

JUL 26 2007

OCD-ARTESIA

Form 3160-3
(April 2004)

**UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT**

APPLICATION FOR PERMIT TO DRILL OR REENTER

FORM APPROVED
OMB NO 1004-0137
Expires March 31, 2007

1a Type of Work <input type="checkbox"/> DRILL <input checked="" type="checkbox"/> REENTER		5 Lease Serial No NM-100552
1b Type of Well <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other <input checked="" type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		6 If Indian, Allottee or Tribe Name N/A
2 Name of Operator Yates Petroleum Corporation 25575		7 If Unit or CA Agreement, Name and No N/A
3a Address 105 South Fourth Street, Artesia, New Mexico 88210		8 Lease Name and Well No Carthel BGT Federal Com #1 34992
3b Phone No (include area code) 505-748-1471		9 API Well No 30-005-00456
4 Location of well (Report location clearly and in accordance with any State requirements *) At surface 1980' FSL and 1980' FEL; NWSE At proposed prod zone same as above		10 Field and Pool, or Exploratory WILDCAT Mississippi GAS
11 Sec, T, R, M, or Blk And Survey or Area Section 23, T 15 S, R 29 E		
14 Distance in miles and direction from the nearest town or post office* Approximately twelve (12) miles north of Loco Hills, NM		12 County or Parish Chaves County
		13 State NM
15 Distance from proposed* location to nearest property or lease line, ft (Also to nearest drlg unit line, if any) 1980'	16 No. of acres in lease 160.00	17 Spacing Unit dedicated to this well 320 acres E/2
18 Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft 10935	19 Proposed Depth 10935	20 BLM/ BIA Bond No on file NATIONWIDE BOND #NMB000434
21 Elevations (Show whether DF RT, GR, etc) 3934' 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 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 officer |

25 Signature <i>Debbie L. Caffall</i>	Name (Printed/ Typed) Debbie L. Caffall	Date 6/19/2007
Title Regulatory Agent		
Approved By (Signature) <i>Angel Mayes</i>	Name (Printed/ Typed) Angel Mayes	Date JUL 19 2007
Title Assistant Field Manager, Lands And Minerals		
Office ROSWELL FIELD OFFICE		
APPROVED FOR 2 YEARS		

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 cc operations thereon
Conditions of approval, if any, are attached

Title 18 U S C Section 1001 and Title 43 U S C Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction

*(Instructions on page 2)

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

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

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 & Natural Resources Department

OIL CONSERVATION DIVISION

1220 South St. Francis Dr.

Santa Fe, NM 87505

Form C-102

Revised October 12, 2005

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number		² Pool Code 977339	³ Pool Name Mississippian
⁴ Property Code 34992	⁵ Property Name Carthel BGT Federal Com		⁶ Well Number 1
⁷ OGRID No. 025575	⁸ Operator Name Yates Petroleum Corporation		⁹ Elevation 3934

¹⁰ Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
J	23	15 S	29 E		1980	South	1980	East	Chaves

¹¹ 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

¹² Dedicated Acres 320 E/2	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.
--	-------------------------------	----------------------------------	-------------------------

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

¹⁶ 	¹⁷ 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 or has a right to drill this well at this 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 Signature Date 6/19/2007 Debbie L. Caffall, Regulatory Agent Printed Name	
	¹⁸ 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 Date of Survey Signature and Seal of Professional Surveyor	
	REFER TO ORIGINAL PLAT	
	Certificate Number	

**MEXICO OIL CONSERVATION COMMISSION
WELL LOCATION AND ACREAGE DEDICATION PLAT**

Form C-102
Supersedes C-128
Effective 1-1-65

All distances must be from the outer boundaries of the Section

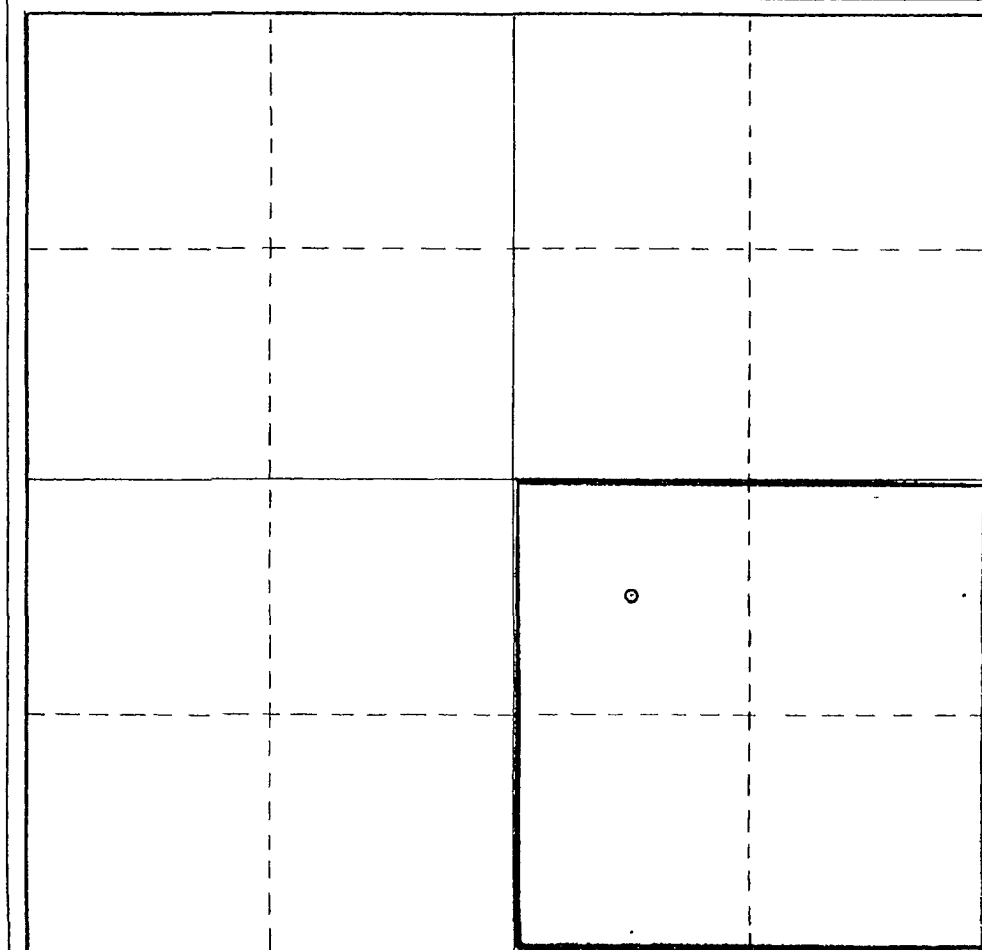
Operator JACK L. MCCLELLAN			Lease CARTHEL FEDERAL		Well No. 1
Unit Letter J	Section 23	Township 15-SOUTH	Range 29-EAST	County CHAVES	
Actual Footage Location of Well: <div style="display: flex; justify-content: space-between;"> 1980 feet from the SOUTH line and 1980 feet from the EAST line </div>					
Ground Level Elev. 3934' (EST)	Producing Formation QUEEN	Pool WILDCAT	Dedicated Acreage: 160 Acres		

1. Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

☐ Yes ☐ No If answer is "yes," type of consolidation _____ APR 3 1967

If answer is "no," list the owners and tract descriptions which have actually been consolidated (Use reverse side of this form if necessary.) _____

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.



CERTIFICATION

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

Name Thomas J. Klyffe
Position **GEOLOGIST**

Company **JACK L. MCCLELLAN**

Date **MARCH 29, 1967**

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 knowledge and belief.

RECEIVED
ORIGINALY STAKED AS
TEXACO, INC. No. 1 COME

Date Surveyed _____

Registered Professional Engineer
and/or Land Surveyor

Certificate No. _____

0 330 660 990 1320 1650 1980 2310 2640 2000 1500 1000 500 0

NEW MEXICO OIL CONSERVATION COMMISSION
WELL LOCATION AND ACREAGE DEDICATION PLAT

FORM C-128
Revised 5/1/57

SEE INSTRUCTIONS FOR COMPLETING THIS FORM ON THE REVERSE SIDE

SECTION A

Operator TEXACO Inc.		Lease G. M. Cone-Federal		Well No. 1
Unit Letter J	Section 23	Township 15 South	Range 29 East	County Chaves
Actual Footage Location of Well: 1980 feet from the South line and 1980 feet from the line Sec. 23				
Ground Level Elev.	Producing Formation Ellenburger	Pool Tank Wildcat	Dedicated Acreage: 40 Acres	

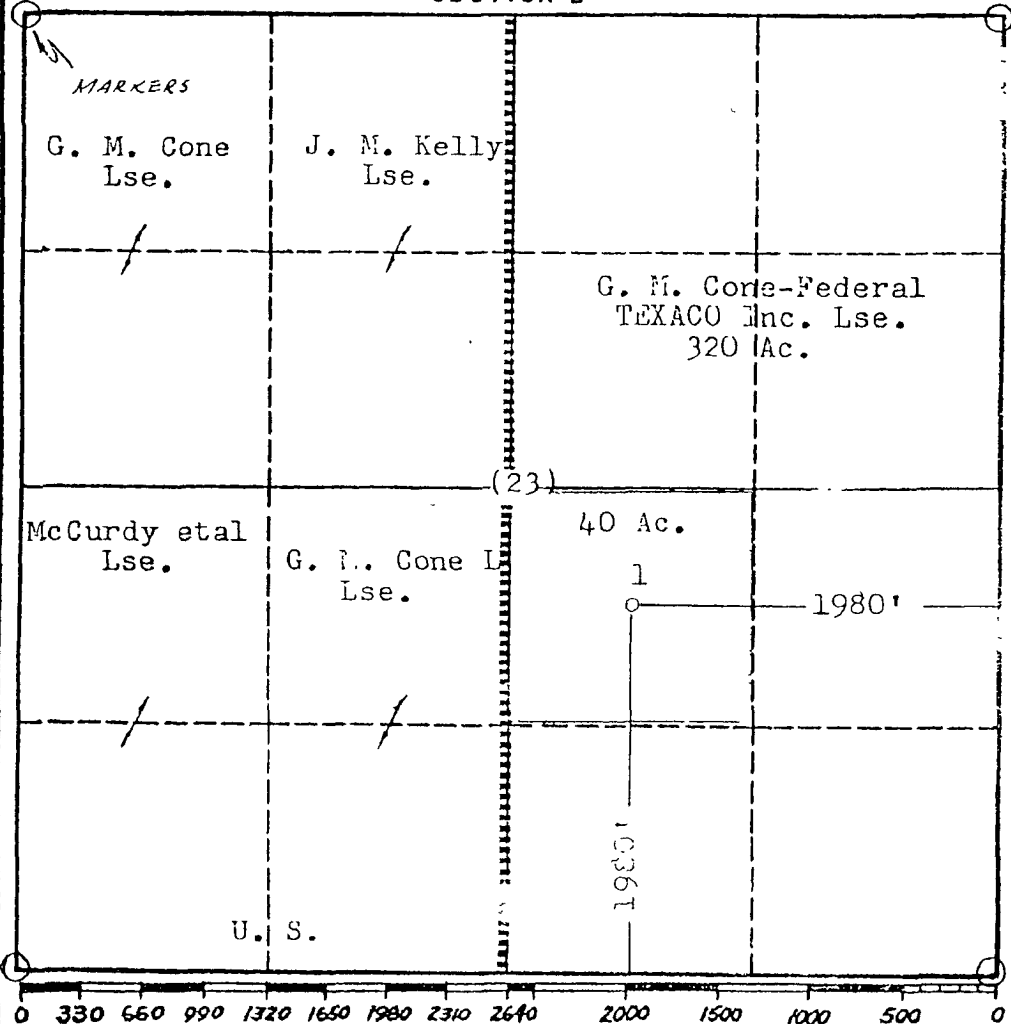
1. Is the Operator the only owner in the dedicated acreage outlined on the plat below? YES X NO ____ ("Owner" means the person who has the right to drill into and to produce from any pool and to appropriate the production either for himself or for himself and another. (65-3-29 (e) NMSA 1935 Comp.)
2. If the answer to question one is "no," have the interests of all the owners been consolidated by communitization agreement or otherwise? YES ____ NO ____ . If answer is "yes," Type of Consolidation ____
3. If the answer to question two is "no," list all the owners and their respective interests below:

RECEIVED

SEP 5 1961

U. S. GEOLOGICAL SURVEY
MOSCOW, NEW MEXICO

SECTION B



CERTIFICATION

I hereby certify that the information in Section A above is true and complete to the best of my knowledge and belief.

Name
J. J. Velten
Position
Division Civil Engineer
Company
TEXACO Inc.
Date
8/31/61

I hereby certify that the well location shown on the plat in SECTION B was provided 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 knowledge and belief.

Date
8/31/61
Registered Professional Engineer
and/or Land Surveyor
J. J. Velten
Certificate No.
8174

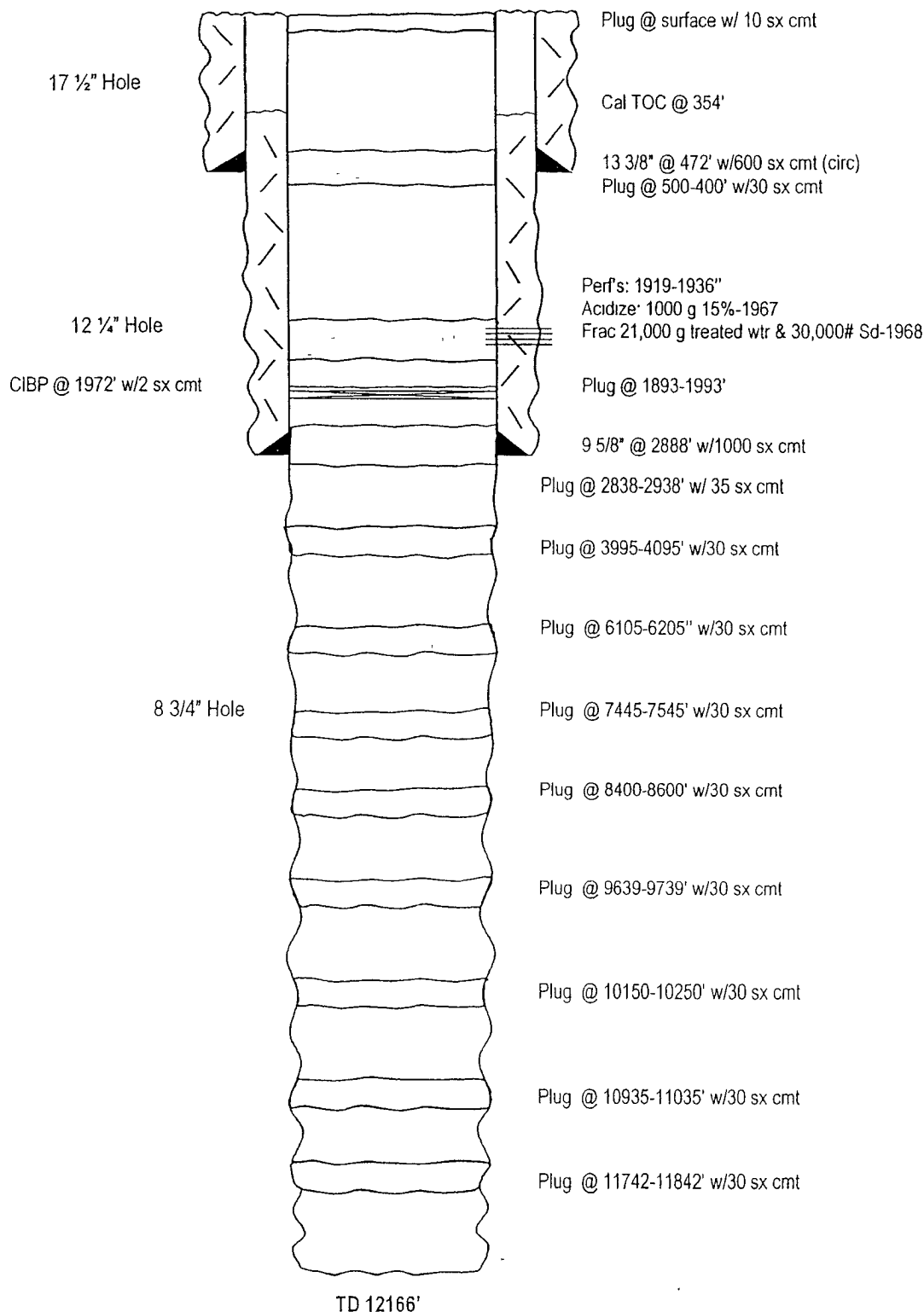
YATES PETROLEUM CORPORATION
Carthel BGT Federal Com. #1 Re-entry
1980' FSL and 1980' FEL
Section 23-T15S-R29E
Chaves County, New Mexico

Yates Petroleum Corporation plans to re-enter this well originally drilled by Texaco, Inc. as the Gordon M. Cone Federal #1 and plugged and abandoned December 1961, re-entered by McClellan Oil Corporation in 11/1968 for a Queen test as the Carthel Federal #1 and plugged and abandoned in 12/1974. Yates Petroleum Corporation plans to re-enter the well with a pulling unit and reverse unit to drill out the cement plugs in the 9 5/8" casing and in the 8 3/4" open hole down to a cement plug at 10,935' when the well was plugged in December 1961. A new suite of open hole logs will be run, then if the new logs show any of the deeper zones to have potential to be productive then a string of 5 1/2" or 7" casing will be run to TD and cemented to 5,000'+/- . The well will be completed with a pulling unit and the well will probably have completions attempted in the Mississippian, Morrow, Atoka, Strawn, Cisco Wolfcamp and or the Basal Abo Dolomite.

WELL NAME: Carthel Federal #1 FIELD: Sulimar Queen
 LOCATION: Sec 23, T15S-R29E, 1980S/1980E COUNTY: Chaves
 DL: 3949' ZERO: KB:
 SPUD DATE: 9/8/61 COMPLETION DATE: 12-8-61
 RE: 4/4/67 RE-Comp: 4/17/67
 RE: 12/30/68 RE-Comp: 1/14/69 PA Date : 12/5/74
 COMMENTS: API # 30-005-00456

CASING PROGRAM

13 3/8" 48# H-40	472'
9 5/8" 32.3#	2888'



TOPS

Anhydrite	300'
Salt	462'
Btm Salt	1023'
Yates	1187'
San Andres	2605'
Glorieta	4060'
Tubb	5382'
Abo	6155'
Wolfcamp	7495'
Atoka	9689'
U Miss	10200'
L Miss	10435'
Fusselman	10985'
Montoya	11525'
Simpson	11925'
Ellenburger	11992'

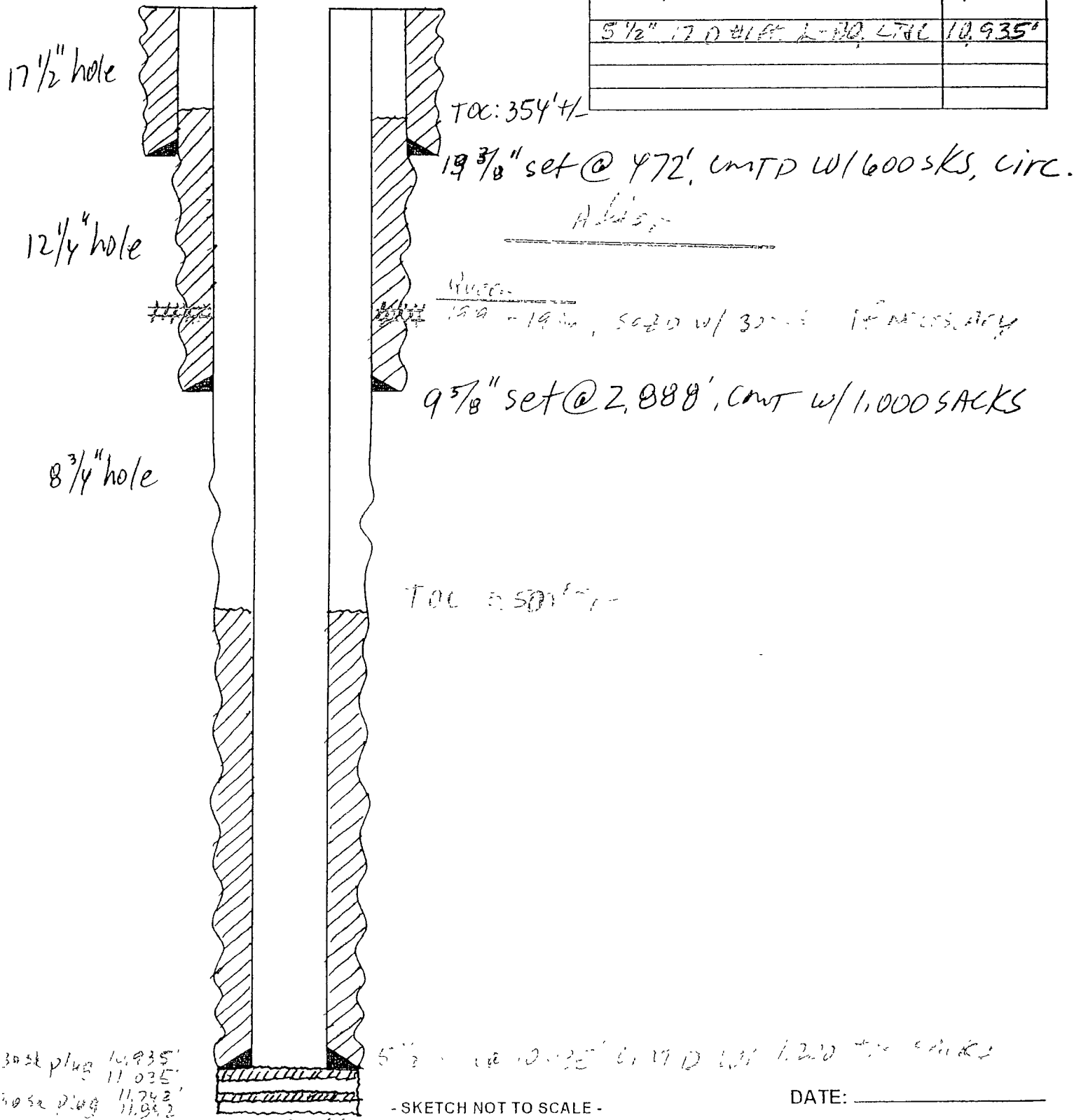
BEFORE

DST 1-8618-8662
 DST 2-10920-10964
 DST 3-10955-10998
 DST 4-11430-11649
 DST 5-11760-11825
 DST 6-11824-11920
 DST 7-11900-11967
 DST 8-11990-12166

NOT TO SCALE
 12/2/04
 CAM

WELLNAME: CORTHELBG7 Fd G#1 FIELD: Sulimar
 LOCATION: 1900' FSL + 1900' FSL SEC 23, T13S, R29E, Chaves Co, NM.
 GL: 3,937' ZERO: _____ AGL: _____ KB: 3,950'
 SPUD DATE: 9/8/74 COMPLETION DATE: _____
 COMMENTS: PJA 2/74

CASING PROGRAM	
SIZE/WT/GR/CONN	DEPTH SET
13 3/8", 48.0 #/ft, H-40 STC	472'
9 5/8", 32.30 #/ft	2,088'
5 1/2", 17.0 #/ft, L-80, CTCL	10,935'



YATES PETROLEUM CORPORATION
Carthel BGT Federal Com. #1 Re-entry
 1980' FSL and 1980' FEL
 Section 23-T15S-R29E
 Chaves County, New Mexico

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

Anhydrite	300'	Tubb	5382'
Salt	462'	Abo	6155'
Btm. Salt	1023'	Wolfcamp	7495'
Yates	1187'	Atoka	9689'
San Andres	2605'	U. Miss	10200'
Glorieta	4060'	L. Miss	10435'
		TD	10935'

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: BOPE will be installed on the 9 5/8" 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)

<u>Hole Size</u>	<u>Casing Size</u>	<u>Wt./Ft</u>	<u>Grade</u>	<u>Coupling</u>	<u>Interval</u>	<u>Length</u>
17 1/2"	13 3/8"	48#	H-40	ST&C	472'	In Place
12 1/4"	9 5/8"	32.3#	H-40	ST&C	2888'	In Place
8 3/4"	5 1/2"	17.#	L-80	LT&C	10935'	10935'

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

- B. CEMENTING PROGRAM:
Surface Casing: In place
Intermediate Casing: In place
Production Casing: 1200 sx.

5. MUD PROGRAM AND AUXILIARY EQUIPMENT:

<u>Interval</u>	<u>Type</u>	<u>Weight</u>	<u>Viscosity</u>	<u>Fluid Loss</u>
0-TD	Cut Brine Water	9.2 – 9.5	55-70	N/C

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 out from under surface casing.
Logging: CNL/LDT, W/NGT TD-Surf Csg; with CNL/GR up to Surf; DLL/MS
FL TD-Surf Csg: BHC Sonic TD-SURF Csg.
Coring: None.
DST's: As warranted.

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

No abnormal temperatures or pressures are anticipated.

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
Carthel BGT Federal Com. #1 Re-entry
1980' FSL and 1980' FEL
Section 23-T15S-R29E
Chaves 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 12 miles north of Loco Hills, New Mexico and the access route to the location is indicated in red (new) and green (existing) on Exhibit A.

DIRECTIONS:

Go east of Artesia, NM on Hwy 82 for approximately 23 miles to Loco Hills, NM. Turn left (north) on County Road 217 (Hagerman Cutoff) and continue for approximately 12 miles to an existing lease road on the left. Turn left (west) and continue on lease road for approximately 0.6 of a mile to the dry-hole marker.

2. PLANNED ACCESS ROAD:

The access road will be approximately 3,271' in length. This is an existing road from CR-217 (Hagerman Cutoff) to the well location.

3. LOCATION OF EXISTING WELL:

- A. There is no 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 re-enter the proposed well with a cut brine system. The brine 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. Yates Petroleum Corporation is in full compliance with the OCD General Plan for Drilling Pits approved on April 15, 2004. A Pit or Below-Grade Tank Registration Form (C-144) will be submitted with the Oil Conservation Division Office.

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, Bureau of Land Management
Pecos District, Roswell 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.

Carthel BGT Federal Com #1 Re-entry

CERTIFICATION
YATES PETROLEUM CORPORATION

I hereby certify that I, or someone under my direct supervision, have inspected the drill site and access route proposed herein; that I am familiar with the conditions which currently exist; that I have full knowledge of state and federal laws applicable to this operation; that the statements made in this APD package are, to the best of my knowledge, true and correct; and that the work associated with the operations proposed herein will be performed in conformity with this APD package and the terms and conditions under which it is approved. I also certify that I, or the company I represent, am responsible for the operations conducted under this application. These statements are subject to the provisions of 18 U.S.C. 1001 for the filing of false statements.

Executed this 19th day of June, 2007.

Name

Debbie S. Caffell

Position Title Regulatory Agent

Address 105 South Fourth Street, Artesia, NM 88210

Telephone 505-748-4376

Field Representative (if not above signatory) Jim Krogman

Address (if different from above) Same

Telephone (if different from above) 505-748-4215

E-mail (optional) debbiec@ypcnm.com

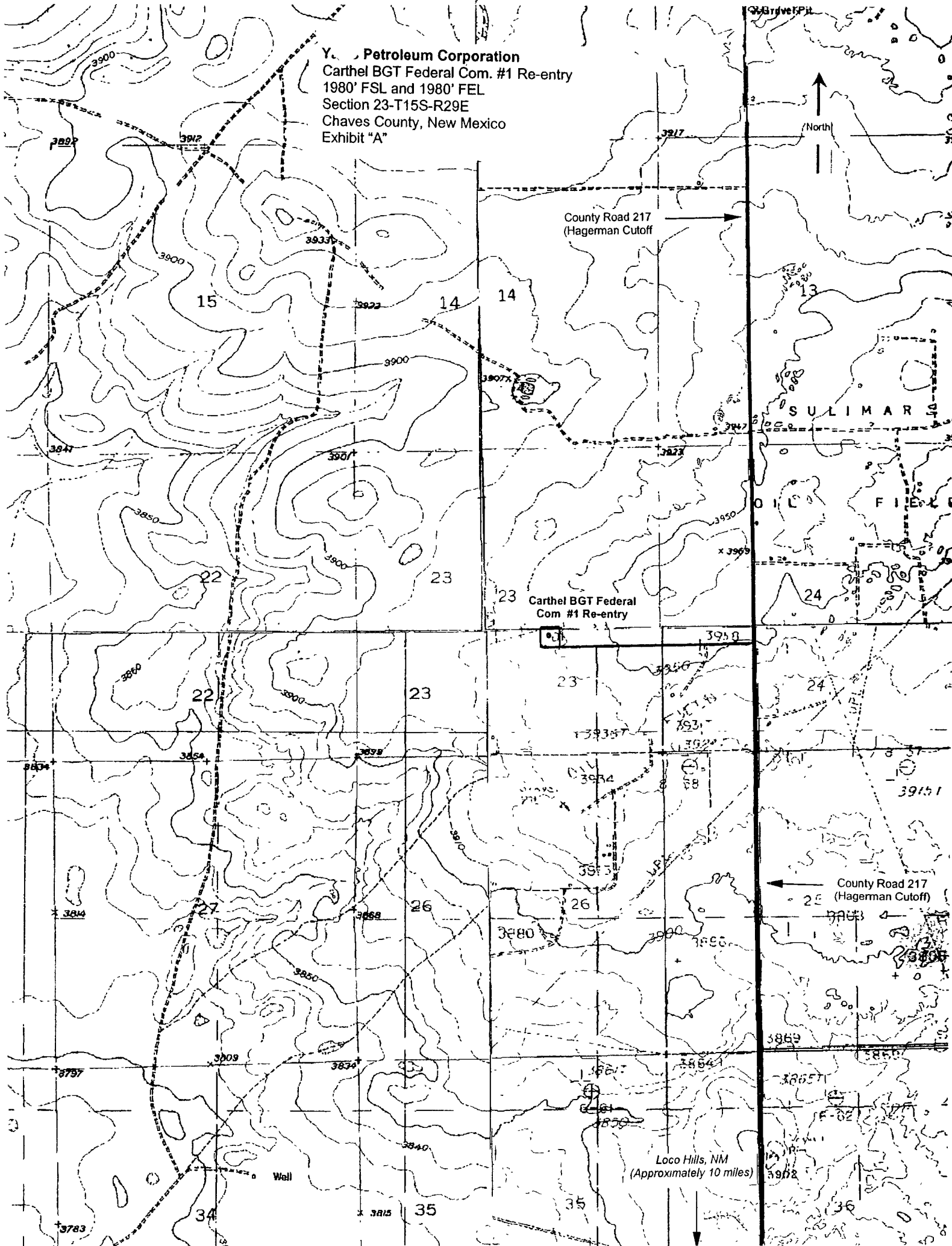
Y. Petroleum Corporation
Carthel BGT Federal Com. #1 Re-entry
1980' FSL and 1980' FEL
Section 23-T15S-R29E
Chaves County, New Mexico
Exhibit "A"

County Road 217
(Hagerman Cutoff)

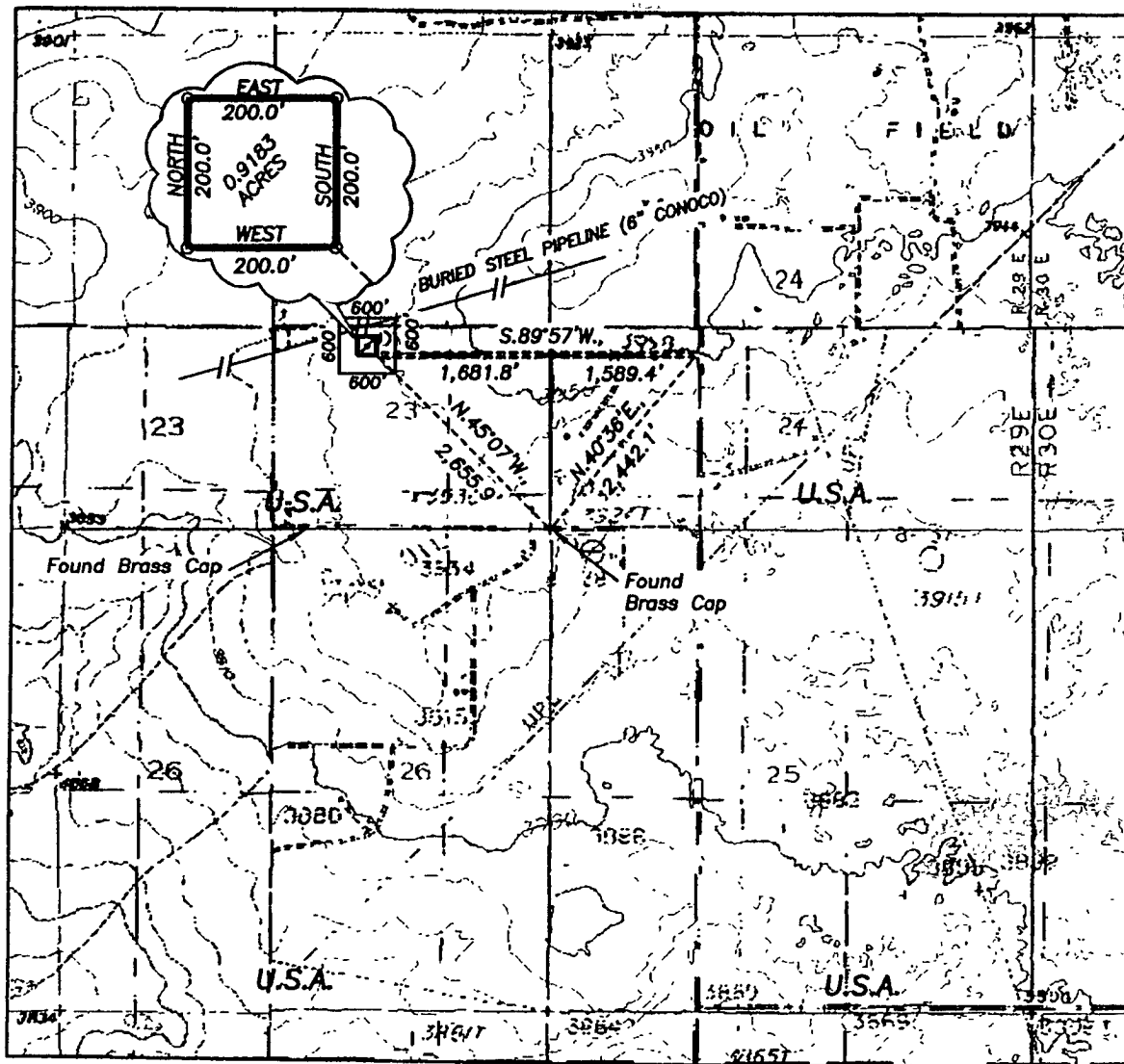
Carthel BGT Federal
Com #1 Re-entry

County Road 217
(Hagerman Cutoff)

Loco Hills, NM
(Approximately 10 miles)



SECTION'S 23 & 24, TOWNSHIP 15 SOUTH, RANGE 29 EAST, NMPM, CHAVES COUNTY, NEW MEXICO.



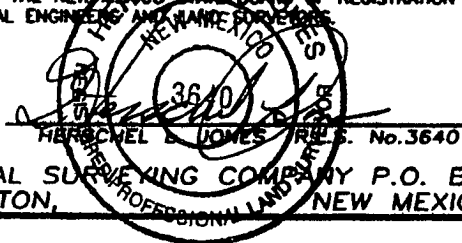
DESCRIPTIONS:

A 0.9183 ACRE TRACT OF LAND LOCATED IN THE NORTHWEST QUARTER OF THE SOUTHEAST QUARTER (NW/4SE/4) OF SECTION 23, TOWNSHIP 15 SOUTH, RANGE 29 EAST, NMPM, CHAVES COUNTY, NEW MEXICO AS SHOWN IN RED ON THIS PLAT. SAID TRACT OF LAND IS 200.0 FEET IN LENGTH AND 200.0 FEET IN WIDTH.

Yates Petroleum Corporation
 Carthel BGT Federal Com. #1 Re-entry
 1980' FSL and 1980' FEL
 Section 23-T15S-R29E
 Chaves County, New Mexico
 Exhibit "A-1"

2000' 0 2000' 4000'
 Scale 1" = 2000'

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 OF REGISTRATION FOR PROFESSIONAL ENGINEERS AND LAND SURVEYORS.



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

YATES PETROLEUM CORP.

A 200' X 200' TRACT OF LAND AND A LEASE ROAD TO ACCESS THE YATES CARTHEL "BGT" FEDERAL COM. #1 WELL, LOCATED IN SECTION 23, TOWNSHIP 15 SOUTH, RANGE 29 EAST, NMPM, CHAVES COUNTY, NEW MEXICO.

Survey Date: 4/12/2005	Sheet 1 of 1 Sheets
Drawn By: Ed Blavins	W.O. Number
Date: 4/12/05	Scale 1" = 2000' CARTHEL 1



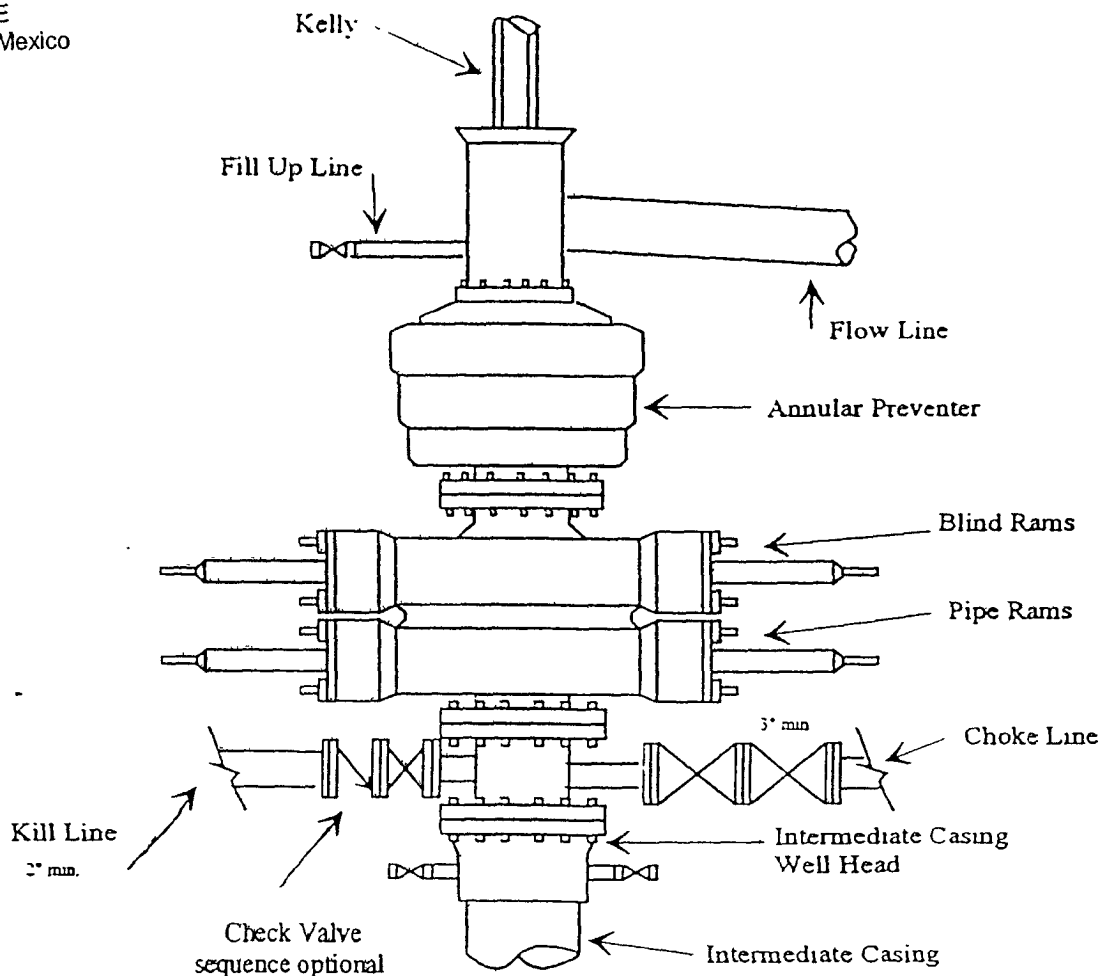
Yates Petroleum Corporation

BOP-3

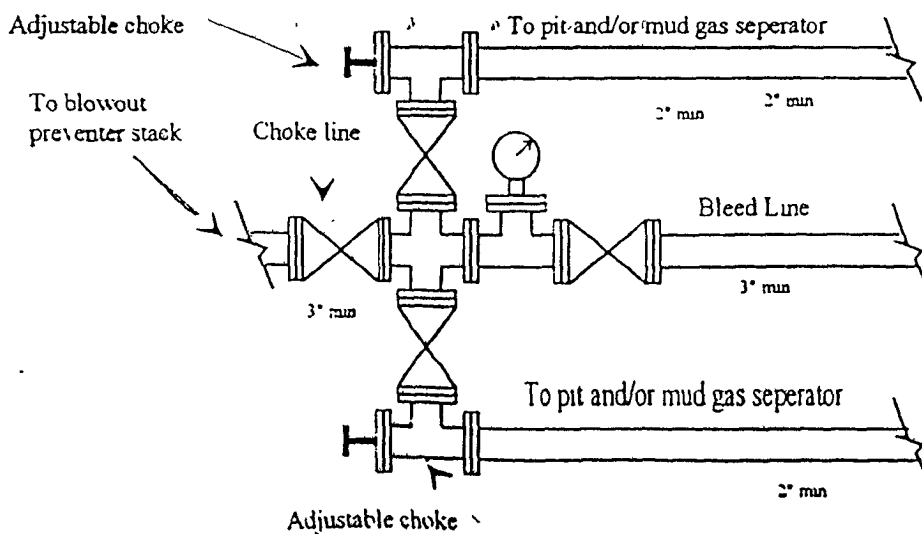
Typical 3,000 psi Pressure System Schematic

Annular with Double Ram Preventer Stack

Yates Petroleum Corporation
Carthel BGT Federal Com. #1 Re-entry
1980' FSL and 1980' FEL
Section 23-T15S-R29E
Chaves County, New Mexico
Exhibit "B"



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



Yates Petroleum Corporation

Yates Petroleum Corporation
Carthel BGT Federal Com. #1 Re-entry
1980' FSL and 1980' FEL
Section 23-T15S-R29E
Chaves County, New Mexico
Exhibit "C"

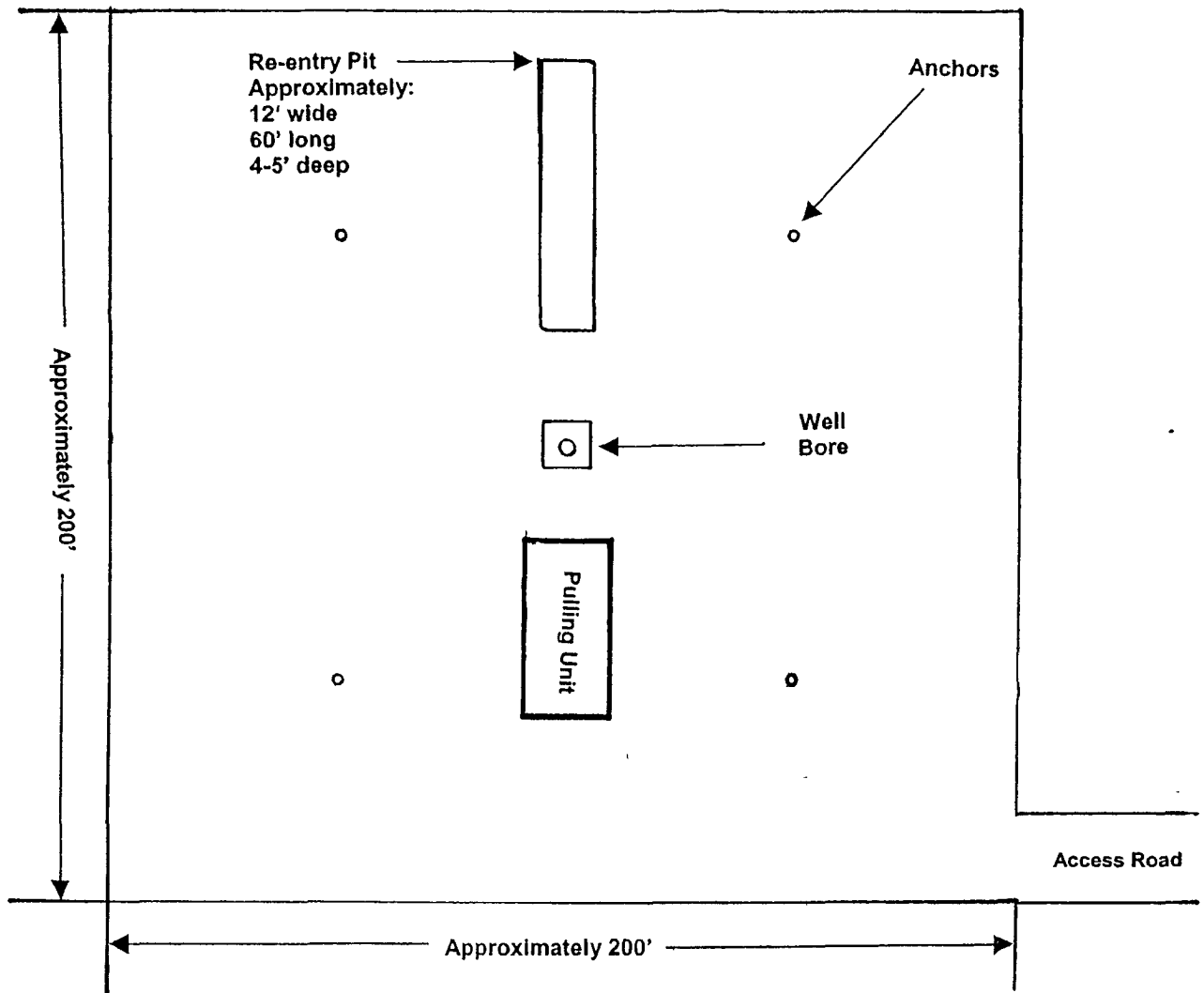
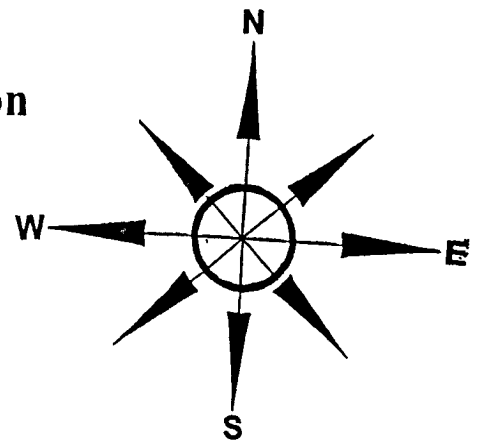


EXHIBIT A

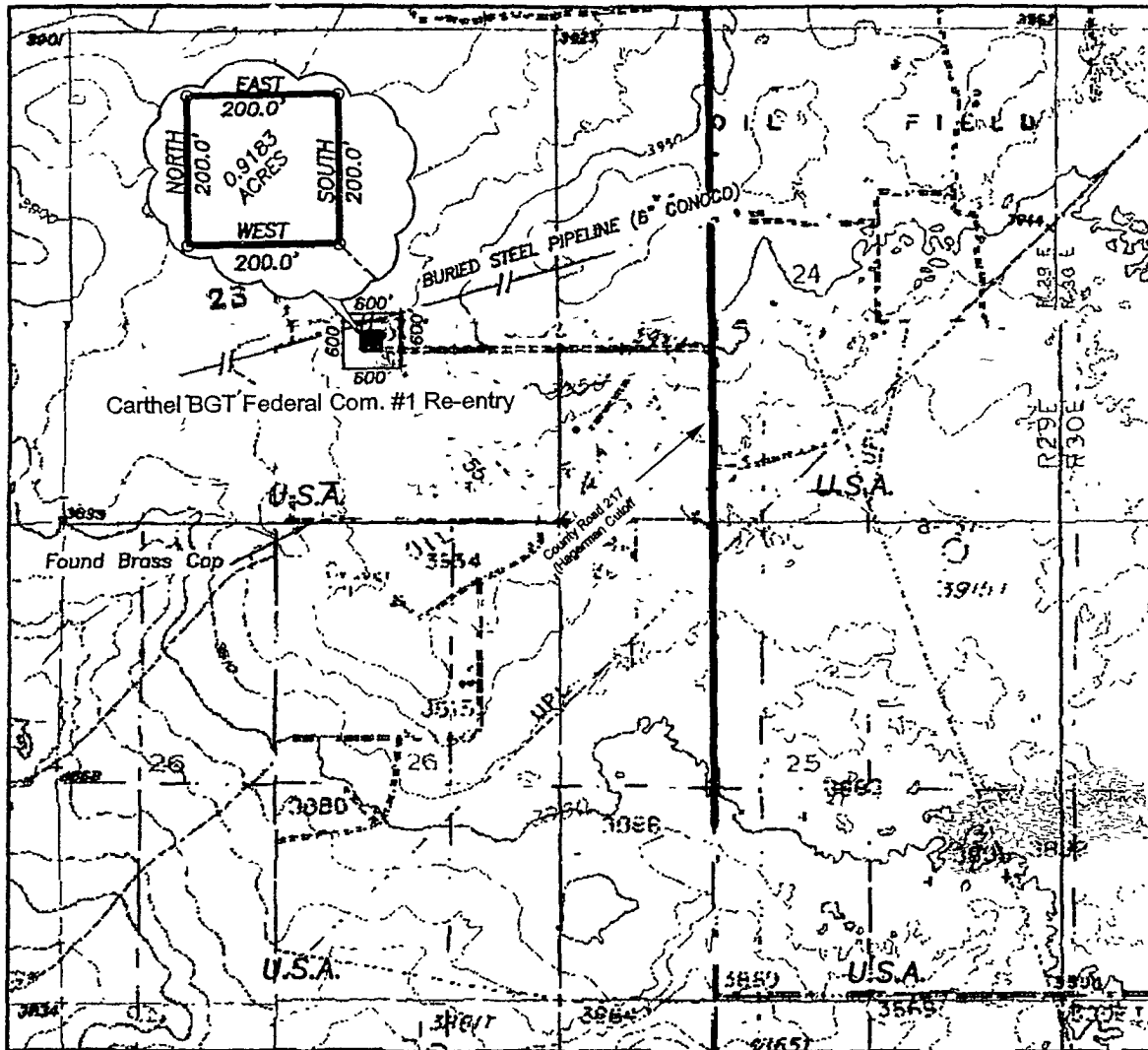
OPERATORS NAME: Yates Petroleum Corporation LEASE NO.: NM-100552

WELL NAME & NO: Carthel "BGT" Federal Com. #1

QUARTER/QUARTER & FOOTAGE: NW¼SE¼ - 1980' FSL & 1980' FEL

LOCATION: Section 23, T. 15 S., R. 29 E., NMPM

COUNTY: Chaves County, New Mexico



62

EXHIBIT A

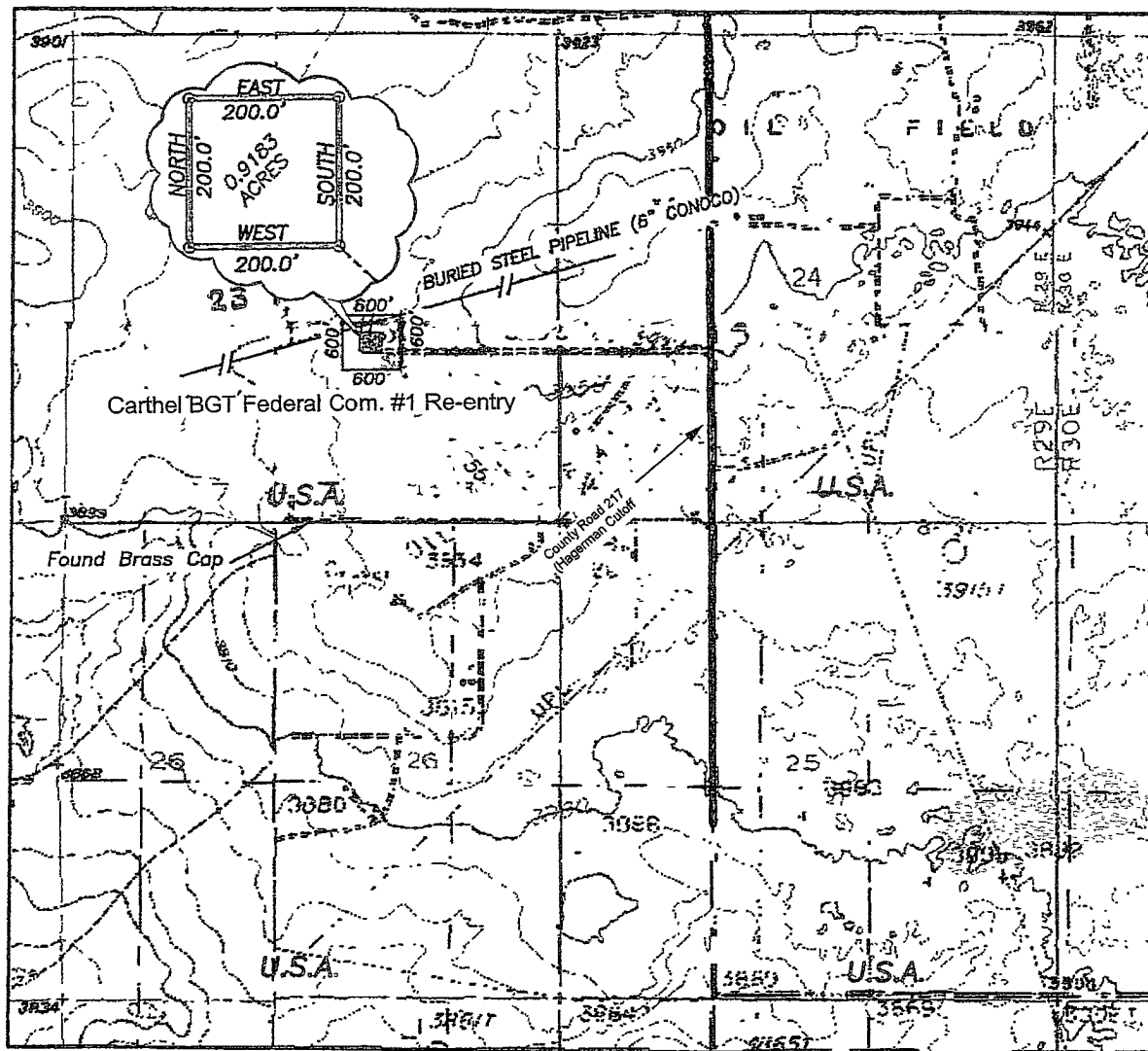
OPERATORS NAME: Yates Petroleum Corporation LEASE NO.: NM-100552

WELL NAME & NO: Carthel "BGT" Federal Com. #1

QUARTER/QUARTER & FOOTAGE: NW¼SE¼ - 1980' FSL & 1980' FEL

LOCATION: Section 23, T. 15 S., R. 29 E., NMPM

COUNTY: Chaves County, New Mexico





United States Department of the Interior
BUREAU OF LAND MANAGEMENT
Roswell Field Office
2909 West Second Street
Roswell, New Mexico 88201

EXHIBIT B

WELL DRILLING REQUIREMENTS

1 of 6 pages

OPERATORS NAME: Yates Petroleum Corporation LEASE NO.: NM-100552
WELL NAME & NO: Carthel "BGT" Federal Com. #1
QUARTER/QUARTER & FOOTAGE: NW¼SE¼ - 1980' FSL & 1980' FEL
LOCATION: Section 23, T. 15 S., R. 29 E., NMPM
COUNTY: Chaves County, New Mexico

I. GENERAL PROVISIONS:

- A. The operator has the right of administrative review of these requirements pursuant to 43 CFR 3165.1(a).
- B. The operator shall hereafter be identified as the holder in these requirements. The Authorized Officer is the person who approves the Well Drilling Requirements.

II. WELL PAD CONSTRUCTION REQUIREMENTS:

- A. The BLM shall administer compliance and monitor construction of the access road and well pad. Notify Richard G. Hill at least 3 working days (72 Hours) prior to commencing construction of the access road and/or well pad. Roswell Field Office number (505) 627-0247.
- B. Prior to commencing construction of the access road, well pad, or other associated developments, the holder shall provide the dirt contractor with a copy of the approved APD signature page, a copy of the location map (EXHIBIT A), a copy of pages 1 & 2 from the Well Drilling Requirements (EXHIBIT B), and a copy of the Permanent Resource Road Requirements (EXHIBIT D).
- C. This well is a re-entry and no topsoil is on the Carthel "BGT" Federal Com. #1 well pad surface. No topsoil stockpile is required.
- D. **Reserve Pit Requirements:**
 - 1. The reserve pit (12' X 60') shall be constructed within the 200' X 200' well pad on the **North** side of the well pad.
 - 2. The reserve pit shall be constructed to a minimum depth of four (4) feet below ground level. The reserve pit shall be constructed, so that the cuttings in the reserve pit can be buried a minimum depth of three (3) feet below ground level. **See Exhibit E – Surface Reclamation/Restoration Requirements.**
 - 3. A synthetic or fabricated liner 12 mil in thickness shall be used to line the reserve pit. The liner shall meet ASTM standards that are designed to be resistant to the reserve pit contents.

4. The reserve pit shall be fenced on three (3) sides during drilling operations. The fourth side shall be fenced immediately upon rig release.
5. The reserve pit shall be constructed so as not to leak, break, or allow discharge of drilling muds. Under no circumstances will the reserve pit be cut to drain drilling muds on the well location.
6. The reserve pit shall not be located in any natural drainage.
7. The reserve pit shall be equipped to deter entry by birds, bats, other wildlife, and livestock, if the reserve pit contains any oil and/or toxic fluids.
8. Drilling muds shall be properly disposed of before the reserve pit is reclaimed. Drilling muds can be allowed to evaporate in the reserve pit or be removed and transported to an authorized disposal site. The reserve pit shall be backfilled when dry.
9. Dumping of junk or trash into the reserve pit is not allowed. Junk or trash shall be removed from within the reserve pit before the reserve pit is reclaimed. **Junk or trash shall not be buried in the reserve pit.**

E. Federal Mineral Materials Pit Requirements:

1. Caliche, gravel, or other related materials from new or existing pits on Federal mineral estate shall not be taken without prior approval from the authorized officer. Contact Jerry Dutchover at (505) 627 -0236.
2. Payment for any Federal mineral materials that will be used to surface the access road and the well pad is required prior to removal of the mineral materials.
3. Mineral Materials extracted during construction of the reserve pit may be used for development of the pad and access road as needed, for the Carthel "BGT" Federal Com. #1 gas well only. Removal of any additional material on location must be purchased from BLM prior to removal of any material.
 - a. An optional mineral material pit may be constructed within the archaeologically cleared area. The mineral material removed in the process can be used for pad and access road construction. However, a mineral material sales contract must be purchased from the BLM prior to removal of any material.

F. Well Pad Surfacing Requirement:

The well pad shall be surfaced with 6 inches of compacted caliche, gravel, or other approved surfacing material. The well pad shall be surfaced prior to drilling operations. See **Permanent Resource Road Requirements - EXHIBIT D - requirement #4, for road surfacing.**

G. Cave Requirements:

1. If, during any construction activities any sinkholes or cave openings are discovered, all construction activities shall immediately cease. Contact Larry Bray at (505) 627-0250.
2. The BLM Authorized Officer will, within 24 hours of notification in "A" above, conduct an on-the-ground field inspection for karst. At the field inspection the authorized field inspector will authorize or suggest mitigating measures to lessen the damage to the karst environment. A verbal order to proceed or stop the operation will be issued at that time.

WELL DRILLING REQUIREMENTS

3 of 6 pages

III. DRILLING OPERATION REQUIREMENTS:

A. GENERAL DRILLING 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 in sufficient time for a representative to witness:

A. Spudding B. Cementing casing: 5½ inch C. BOP tests

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. 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

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

5. 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.

B. CASING:

1. The minimum required fill of cement behind the 5½ inch intermediate casing shall extend upwards a minimum of 500 feet above the top of the uppermost perforations.

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 9% inch casing shoe and shall be tested as described in Onshore Order No. 2. Any equipment failing to test satisfactorily shall be repaired or replaced.

2. Minimum working pressure of the blowout preventer and related equipment (BOPE) shall be 3000 psi. aew
6/25/07

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

A. The tests shall be done by an independent service company.

B. The results of the test shall be reported to the appropriate BLM office.

C. 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.

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

C. 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.

A. Recording pit level indicator to indicate volume gains and losses.

B. Mud measuring device for accurately determining the mud volumes necessary to fill the hole during trips.

C. Flow-sensor on the flow-line to warn of abnormal mud returns from the well.