

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of Work: ☐ DRILL ☒ REENTER

b. Type of Well: ☐ Oil Well ☒ Gas Well ☐ Other ☐ Single Zone ☐ Multiple Zone

2. Name of Operator
Yates Petroleum Corporation

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

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

4. Location of Well (Report location clearly and in accordance with any State requirements. *)

At surface **1980' FNL and 1980' FEL**
At proposed prod. Zone

14. Distance in miles and direction from nearest town or post office*
Approximately 13 miles southwest of Malaga, New Mexico.

15. Distance from proposed*
location to nearest
property or lease line, ft.
(Also to nearest drig. unit line, if any)

1980'

16. No. of Acres in lease

857.57

17. Spacing Unit dedicated to this well

E/2

18. Distance from proposed location*
to nearest well, drilling, completed,
applied for, on this lease, ft.

1.5 miles

19. Proposed Depth

12680'

20. BLM/BIA Bond No. on file

NMB-000434

21. Elevations (Show whether DF, KDB, RT, GL, etc.)

3111.8' GL

22. Approximate date work will start*

ASAP

23. Estimated duration

45 days

24. Attachments

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No. 1, shall be attached to this form:

- Well plat certified by a registered surveyor.
- A Drilling Plan.
- A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office).
- Bond to cover the operations unless covered by an existing bond on file (see Item 20 above).
- Operator certification.
- Such other site specific information and/or plans as may be required by the authorized office

25. Signature

Name (Printed/Typed)

Date

Cy Cowan

10/10/2007

Regulatory Agent

Regulatory Agent

Approved by (Signature)

/s/ James A. Amos

Name (Printed/Typed)

/s/ James A. Amos

Date

NOV 21 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.

APPROVAL FOR TWO YEARS

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 reverse)

**SEE ATTACHED FOR
CONDITIONS OF APPROVAL**

Carlsbad Controlled Water Basin

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

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

API Number		Pool Code 96070	Pool Name Wildcat Morrow
Property Code 36861	Property Name Leonardo BKL Federal Com.		Well Number 1
OGRID No. 025575	Operator Name YATES PETROLEUM CORPORATION		Elevation 3111.8'

¹⁰ Surface Location

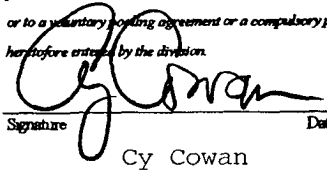
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
G	28	25S	27E		1980'	North	1980'	East	Eddy

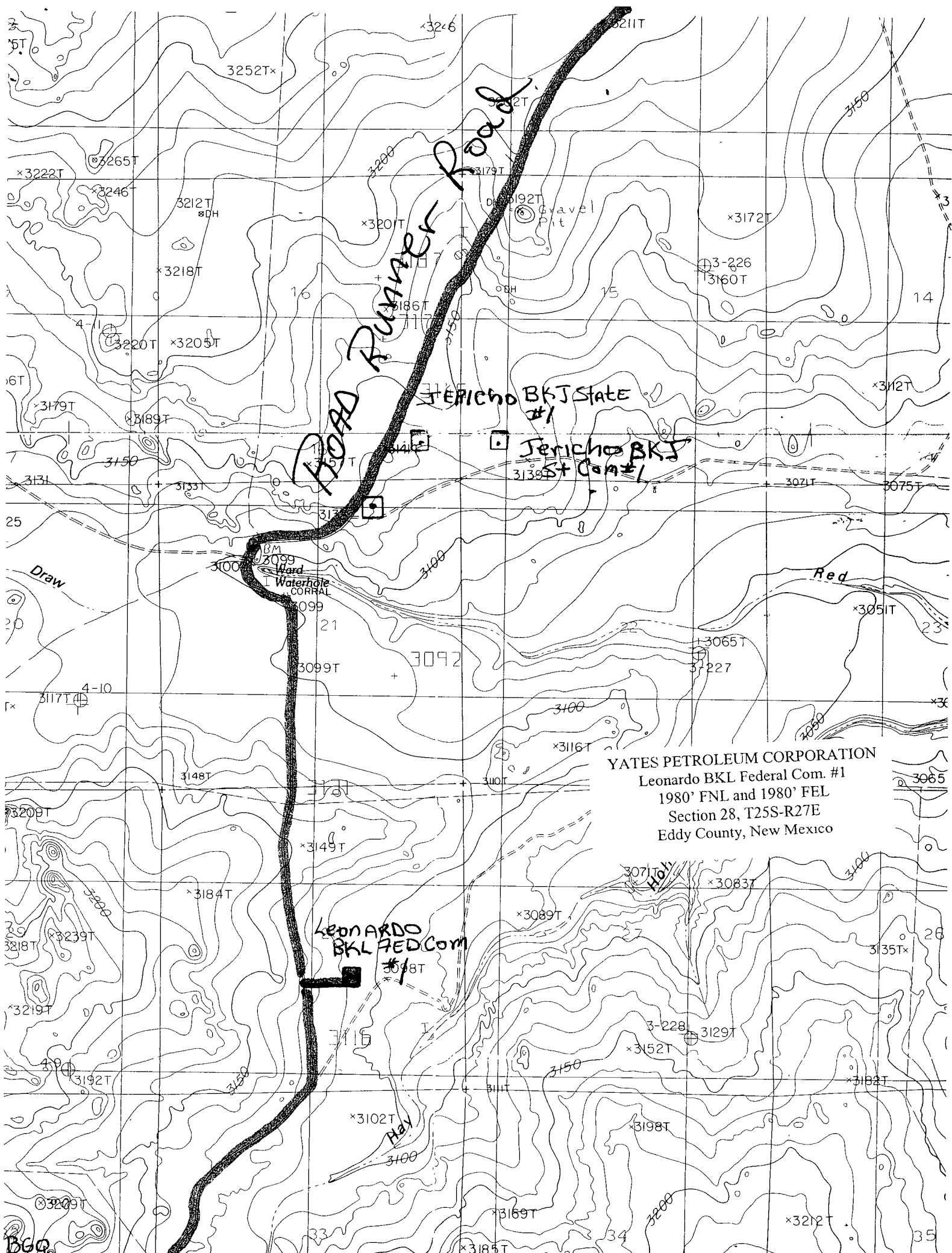
¹¹ Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
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¹² Dedicated Acres 320	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.
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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.

<div style="position: relative; width: 100px; height: 100px; border: 1px solid black;"> <div style="position: absolute; top: 0; right: 0; width: 50px; height: 50px; border: 1px solid black; transform: rotate(90deg); transform-origin: right top;">1980'</div> <div style="position: absolute; bottom: 0; right: 0; width: 50px; height: 50px; border: 1px solid black;">1980'</div> </div>	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. <div style="display: flex; justify-content: space-between;"> <div>  Signature </div> <div>10/10/07 Date</div> </div> <div style="border-top: 1px solid black; padding-top: 5px;"> Printed Name: Cy Cowan Regulatory Agent </div>	
	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. REFER TO ORIGINAL PLAT. Date of Survey Signature and Seal of Professional Surveyor Certificate Number	



YATES PETROLEUM CORPORATION
Leonardo BKL Federal Com. #1
1980' FNL and 1980' FEL
Section 28, T25S-R27E
Eddy County, New Mexico

Leonardo
BKL FED Com
#1

Jericho BKT State
#1

Jericho BKT
St Com #1

ROAD
Runner Road

Waterhole
CORRAL

Draw

Red

Hay

Hay

YATES PETROLEUM CORPORATION
Leonardo BKL Federal Com. #1 (re-entry)
 1980' FNL and 1980' FEL
 Section 28-T25S-R27E
 Eddy County, New Mexico

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

Delaware	2000'	Oil Pay	Atoka	11,220'	Gas Pay
Bone Spring	5750'	Oil Pay	Morrow Lime	11,850'	Gas Pay
Wolfcamp	8350'	Oil Pay	Morrow Clastics	12,330'	Gas Pay
Strawn	11,000'	Oil Pay	TD	12,680'	Gas Pay

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

Water. 19'
 Oil or Gas: All potential zones. See Above.

3. Pressure Control Equipment: BOPE will be installed on the 10 3/4" casing and rated for 5000 BOP systems will be consistent with API RP 53. Pressure tests will be conducted before drilling out from under all casing strings which are set and cemented in place. Blowout Preventor controls will be installed prior to drilling the surface plug and will remain in use until the well is completed or abandoned. Preventors will be inspected and operated at least daily to ensure good mechanical working order, and this inspection recorded on the daily drilling report.

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: Existing casing in place and new production casing.

Hole Size	Casing Size	WT/Ft	Grade	Thread	Interval	Length	
14 3/4"	10 3/4"	40.5#	K-55	ST&C	0-2000'	2000'	In Place
9 1/2"	7 5/8"	29.7#	S-95	LT&C	0-1750'	1750'	New
9 1/2"	7 5/8"	33.7 & 39#	S-95	LT&C	1750'-11000'	9250'	In Place
6 1/2"	4 1/2"	11.6#	P-110	LT&C	0-12680'	12680'	New

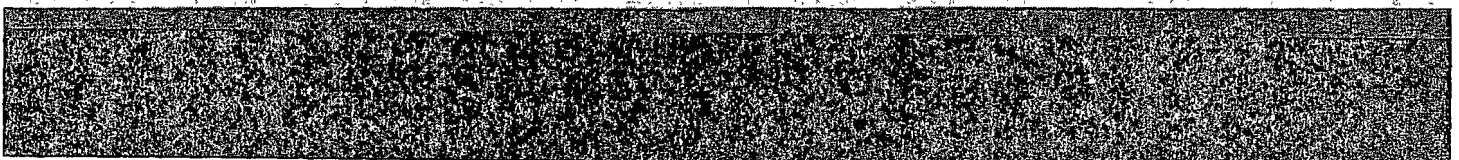
Minimum Casing Design Factors: Collapse 1.125, Burst 1.8, Joint Strength 2.0

B. CEMENTING PROGRAM

Surface Casing: 0-2000' 1100 sx Trinity Lite +5% Gilsonite and 25# sx Flocele +8% CaCl₂ and 200 sx Class C and 2% CaCl₂. In Place.

Intermediate: 0-1750' 350 sx Class C. 14.8 ppg Circulate (New). 1750'-11000' 2550 sx Trinity Lite and 300 sx Class H. TOC 1750' In Place.

Production Casing: 0-12680' 400 sx Class H 15.6 ppg with fluid loss additives to tie back into existing casing.



WELL NAME: Leonardo BKL Federal #1

FIELD: Undesignated Morrow

LOCATION: 1,980' FNL & 1,980' FEL of Section 28-25S-27E

Eddy Co., NM

GL: 3112'

ZERO:

KB:

SPUD DATE:

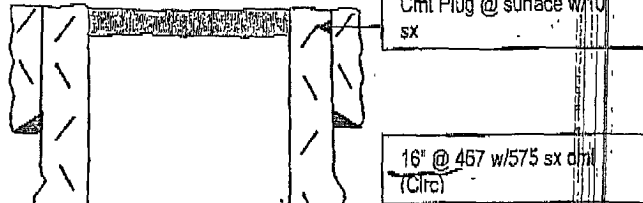
COMPLETION DATE:

COMMENTS: API No.: 30-015-22763

CASING PROGRAM

16" 65#	467'
10-3/4" 40.5#	2000'
7-5/8" 33.7/39#	11,000'

20" Hole



Cmt Plug 1,690-1,790' w/40
sx Casing Stub @ 1,710'

14-3/4" Hole

10-3/4" @ 2000' w/ 1300' sx
cmt (Clrc)

Cmt Plug 4,850-5,000' w/35 sx cmt

9-1/2" Hole

Cmt Plug 8,350-8,500' w/35 sx cmt

6-1/2" Hole

Cmt Plug 10,900-11,100' w/55 sx cmt

7-5/8" @ 11,000' w/2850 sx cmt (Did not clrc)

Cmt Plug 11,800-12,000' w/50 sx cmt

TD: 12,680'

Before

TOPS

Delaware	2,000'
BS	5,750'
WC	8,350'
Strawn	11,000'
Atoka	11,220'
Morrow Lm	11,850'
Morrow Cl	12,330'

Not to Scale

9/5/07

DC/Hill

WELL NAME: Leonardo BKL Federal #1

FIELD: Undesignated Morrow

LOCATION: 1,980' FNL & 1,980' FEL of Section 28-25S-27E

Eddy Co., NM

GL: 3112'

ZERO:

KB:

SPUD DATE:

COMPLETION DATE:

COMMENTS: API No.: 30-015-22763

(Formerly Amoco Federal K #1)

CASING PROGRAM

16" 65#	467'
10-3/4" 40.5#	2000'
7-5/8" 33.7/39#	11,000'
4-1/2" 11.6# P110 LTC	12,680'

After

TOPS

Delaware	2,000'
BS	5,750'
WC	8,350'
Strawn	11,000'
Atoka	11,220'
Morrow Lm	11,850'
Morrow CI	12,330'

20" Hole

14-3/4" Hole

9-1/2" Hole

6-1/2" Hole

TD: 12,680'

16" @ 467' w/575 sx cmt
(Circ)

D-1750' 7-5/8" 29.7# LBD LTC
w/350 sx cmt

10-3/4" @ 2000' w/ 1300 sx
cmt (Circ)

7-5/8" @ 11,000' w/2850 sx cmt (Did not circ)

4-1/2" @ 12,680' w/ 400 sx cmt

Not to Scale

9/5/07

DGA/HH

5. Mud Program and Auxiliary Equipment:

<u>Interval</u>	<u>Type</u>	<u>Weight</u>	<u>Viscosity</u>	<u>Fluid Loss</u>
0-12680'	Cut Brine	10.3-10.4	34-38	<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: None.
Logging: Platform Express-FMI.
Coring: None anticipated.
DST's: None anticipated.

7. Abnormal Conditions, Bottom hole pressure and potential hazards:
Anticipated BHP: 6340 psi

Lost Circulation Zones Anticipated: None.

H2S Zones Anticipated: None

Maximum Bottom Hole Temperature: 156° F

8. ANTICIPATED STARTING DATE:

Plans are to drill this well as soon as possible after receiving approval. It should take approximately 35 days to drill the well with completion taking another 20 days.

OTHER INFORMATION:

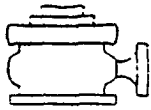
12. A. Topography: Refer to the existing archaeological report for a description of the topography, flora, fauna, soil characteristics, dwellings, historical and cultural sites. A copy of the original archaeological report will be attached to this Application for Permit to Drill when it is submitted..
- B. The primary surface use is for grazing.
13. OPERATOR'S REPRESENTATIVE
- | | |
|-----------------------------|--|
| A. Through A.P.D. Approval: | B. Through Drilling Operations,
Completions and Production: |
| Cy Cowan, Regulatory Agent | Paul Ragsdale, Operations Manager |
| Yates Petroleum Corporation | Yates Petroleum Corporation |
| 105 South Fourth Street | 105 South Fourth Street |
| Artesia, New Mexico 88210 | Artesia, New Mexico 88210 |
| Phone (505) 748-1471 | Phone (505) 748-1471 |

YATES PETROLEUM CORPORATION
Leonardo BKL Federal Com. #1 (Re-entry)
1980' FNL and 1980' FEL
Section 28-T25S-R27E
Eddy County, New Mexico
Re-entry Prognosis
Page 2

This well was originally drilled by Amoco Production Company as the Federal "K" # 1. It was spudded on January 17, 1979 and was P/A'd April 6, 1979.

Yates Petroleum Corporation proposes to re-enter the captioned well with a pulling unit and reverse unit to drill out cement plugs in the 10 3/4" and splice the 7 5/8" casing back together inside of the 10 3/4" casing at +/- 1710'. We will then drill out the plugs inside of the 7 5/8" casing down to +/- 10,800'. A drilling rig will then be moved into drill out the 7 5/8" casing and clean out the open hole down to the original TD of 12,680'. Logs will then be run and 4 1/2" 11.6# P-110 casing will be run and cemented into place.

See APD for detailed Mud, Casing, and Cementing programs.

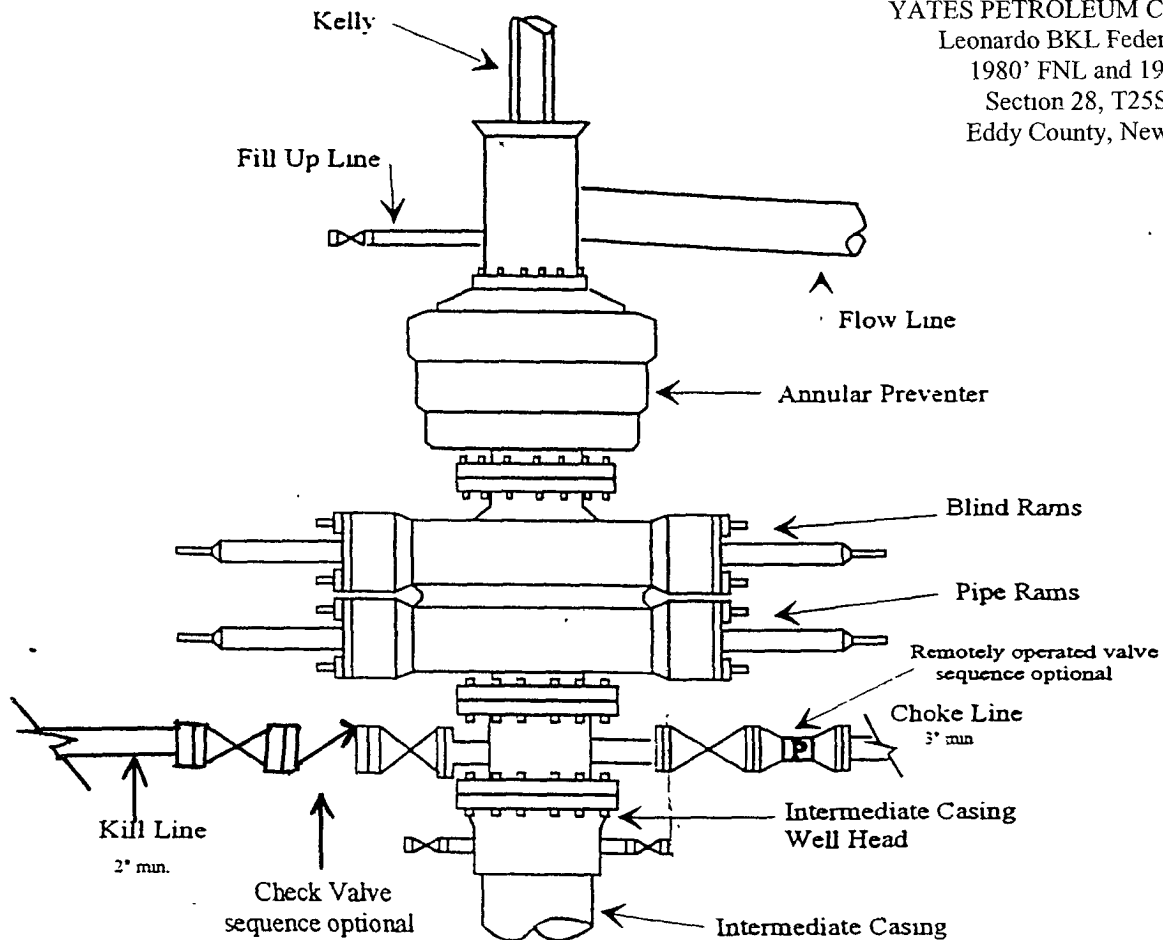


Yates Petroleum Corporation

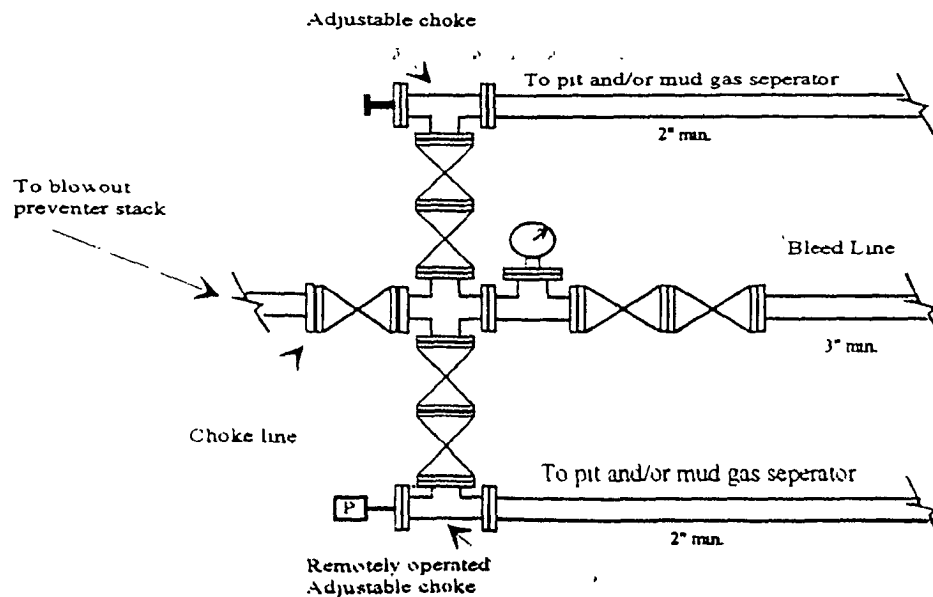
BOP-4

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

YATES PETROLEUM CORPORATION
Leonardo BKL Federal Com. #1
1980' FNL and 1980' FEL
Section 28, T25S-R27E
Eddy County, New Mexico



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



MULTI-POINT SURFACE USE AND OPERATIONS PLAN
YATES PETROLEUM CORPORATION
Leonardo BKL Federal Com. #1
1980' FNL and 1980' FEL
Section 28-T25S-R27E
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 13 miles southwest of Malaga, New Mexico and the access route to the location is indicated in red and green on Exhibit A.

DIRECTIONS:

From the Malaga, New Mexico go west on Black River Road (CR-774) for approximately 2.5 miles to Roadrunner Road. (CR-774). Turn left on Roadrunner Road and go approximately 10.1 miles. The new road will start here going east for approximately .2 of a mile to the southwest corner of the well location.

2. PLANNED ACCESS ROAD:

- A. The proposed new access will be approximately 0.2 mile in length from the point of origin to the southwest corner of drilling pad. The road will lie in a west to east 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. Some 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 not any 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 not any 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 reenter the proposed well with a cut brine 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:

The dirt contractor will locate the closest pit and obtain any permits and material needed for the construction if necessary.

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, location of the drilling equipment, rig orientation and access road approach. The reserve pits will be 120'x120' in size.
- 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.
- C. This reentry will use the existing pad for drilling operations.

10. PLANS FOR RESTORATION

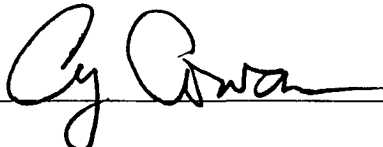
- A. After finishing drilling and/or completion operations, all equipment and other material not needed for further operations will be removed. The location will be cleaned of all trash and junk to leave the wellsite in as aesthetically pleasing a condition as possible.
- B. Unguarded pits, if any, containing 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 within 90 days after abandonment.

11. SURFACE OWNERSHIP: Bureau of Land Management, Carlsbad, New Mexico.

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; and an someone under employment of Yates Petroleum Corporation has 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 11th day of October, 20 07

Signature 

Name Cy Cowan

Position Title Regulatory Agent

Address 105 South Fourth Street, Artesia, New Mexico 88210

Telephone (505) 748-4372

Field Representative (if not above signatory) Jim Krogman, Drilling Supervisor

Address (if different from above) Same as above.

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

E-mail (optional) _____