

N.M. Oil Cons. DIV-Dist. 2
1301 W. Grand Avenue
Artesia, NM 88210

RECEIVED
OCD ARTESIA
UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

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

APPLICATION FOR PERMIT TO DRILL OR REENTER

| | | | |
|---|--|---|---|
| 1a. Type of Work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER | | | 5. Lease Serial No. NM-10588 |
| 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"/> Multiple Zone | | | 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 | | 3b. Phone No. (include area code) (505) 748-1471 | 8. Lease Name and Well No. George "QJ" Federal Com #8 |
| 4. Location of Well (Report location clearly and in accordance with any State requirements. *) At surface 990' FSL and 660' FWL, Unit Letter M At proposed prod. Zone same as above | | | 9. API Well No. 30-005-63102 |
| 14. Distance in miles and direction from nearest town or post office* Approximately thirty-six (36) miles northeast of Roswell, New Mexico | | | 10. Field and Pool, or Exploratory Wildcat Precambrian |
| 15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) | 16. No. of Acres in lease 1000 | 17. Spacing Unit dedicated to this well 320 - S/2 | |
| 18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. | 19. Proposed Depth 5335' | 20. BLM/BIA Bond No. on file NM-2811 | |
| 21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3761' 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 <i>Pat Perez</i> | Name (Printed/Typed) Pat Perez | Date 10/1/01 |
|--------------------------------|--|------------------------|

Title:

Regulatory Agent

| | | |
|--|--|----------------------------|
| Approved by (Signature) <i>/S/LARRY D. GRAY</i> | Name (Printed/Typed) LARRY D. GRAY | Date DEC 11 2001 |
|--|--|----------------------------|

| | |
|----------------------------------|---------------------------------------|
| Title REGULATORY AGENT | Office ROSWELL 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.

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)

ROSWELL CONTROLLED WATER BASIN

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS AND
SPECIAL STIPULATIONS

RECEIVED
2001 OCT -5 PM 2:51
BUREAU OF LAND MGMT.
ROSWELL OFFICE

DISTRICT II
611 South First, Artesia, NM 88210

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

DISTRICT IV
2040 South Pacheco, Santa Fe, NM 87505

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 Wildcat Precambrian |
| Property Code | Property Name GEORGE "QJ" FEDERAL COM. | | Well Number 8 |
| OGED No. 02275 | Operator Name YATES PETROLEUM CORPORATION | | Elevation 3761 |

Surface Location

| UL or lot No. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| M | 25 | 6S | 25E | | 990 | SOUTH | 660 | WEST | CHAVES |

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 |
| Dedicated Acres 320.00 | Joint or Infill | Consolidation Code | | 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**

| | | |
|--|---|--|
| | OPERATOR CERTIFICATION I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief. Signature Pat Perez Printed Name Regulatory Agent Title 10-2-01 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 supervision, and that the same is true and correct to the best of my belief. 9/26/2001 Date Surveyed Signature & Seal of Professional Surveyor Certificate No. Herschel L. Jones RLS 3648 HERSCHEL L. JONES REGISTERED PROFESSIONAL SURVEYOR NEW MEXICO GEORGE B. JONES SURVEYING COMPANY | |
| | | |
| | | |

YATES PETROLEUM CORPORATION
George "QJ" Federal Com. #8
990' FSL and 660' FWL
Section 25,-T6S-R25E
Chaves County, New Mexico

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

| | |
|-----------------------|-------|
| San Andres | 495' |
| Glorieta | 1515' |
| Yeso | 1600' |
| Tubb | 2995' |
| Abo | 3575' |
| Wolfcamp | 4385' |
| Cisco | 4850' |
| Strawn | 4925' |
| Basement-Granite Wash | 5185' |
| TD | 5335' |

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 11 3/4" casing and rated for 2000 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> |
|------------------|--------------------|---------------|--------------|-----------------|-----------------|
| WITNESS 9 5/8" | 11 3/4" | 42# | H-40 | ST&C | 0-900' |
| 11 | 8 5/8"* | 24# | J-55 | ST&C | 0-1500' |
| 7 7/8" | 5 1/2" | 15.5# | J-55 | ST&C | 0-5335' |

*8 5/8" will only be set if lost circulation is encountered

1. Minimum Casing Design Factors: Collapse 1.125, Burst 1.0, Tensile Strength 1.8
2. Yates Petroleum Corporation requests that a variance be granted in requiring the casing and BOPE to be tested to 2000 PSI to testing the casing and BOPE to 1000 PSI. The rig pumps will be used to test the casing and BOPE. Rig pumps used in this area cannot safely test above 1000 PSI. We would have to go to the greater expense of hiring an independent service to do the testing. Also, the maximum shut-in bottom hole pressure is 1100 PSI. Pressure at the surface is much less. Most of the time the Abo formation requires treatment before it flows.

A. CEMENTING PROGRAM:

Surface Casing: 350 sx Lite "C" (YLD 2.0 WT 12.5). Tail in with 200 sx "C" + 2% CaCL₂ (YLD 1.33 WT 15.6).

Intermediate Casing: 250 sx class "C" + 2% CACLW (YLD 1.32 WT 14.8)

Production Casing: 500 sx sx. Pecos Valley Lite (Yield 1.34 wt. 13.0) to TOC 3100'.

5. MUD PROGRAM AND AUXILIARY EQUIPMENT:

| <u>Interval</u> | <u>Type</u> | <u>Weight</u> | <u>Viscosity</u> | <u>Fluid Loss</u> |
|-----------------|------------------|---------------|------------------|-------------------|
| 0-900' | FW GEL,Paper,LCM | 8.6 - 9.6 | 32-36 | N/C |
| 900'-3580' | Cut Brine/Brine | 9.6 - 10.2 | 28 | N/C |
| 3580'-TD | Starch/Salt Gel | 9.3 - 10.2 | 32-40 | <6/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 out from under surface casing.

Logging: CNL/LDT/NGT – Surf csg.; CNL/GR – TD to surface; DLL/MSFL TD-Surf csg/BHC – Sonic – TD Surf csg. FMI – TD – Top of Wolfcamp.

Coring: Sidewall

DST's: None.

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

Anticipated BHP:

| | | |
|------------|----------|--------------------------------|
| From: 0 | TO: 900' | Anticipated Max. BHP: 375 PSI |
| From: 900' | TO: TD' | Anticipated Max. BHP: 2700 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

George "QJ" Federal Com. #8

990' FSL and 660' FWL

Section 25,-T6S-R25E

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 36 miles northeast of Roswell, New Mexico and the access route to the location is indicated in red and green on Exhibit A.

DIRECTIONS:

Go north of Roswell on Highway 285 approx. 26.5 miles to Cottonwood Road. Turn right (east) and follow road approximately 12.8 miles. (Just before ranch house) Turn left for approximately 2000'. Turn right for approx. 1400' to the George #3. New access will start here and go to the SW corner of pad.

2. PLANNED ACCESS ROAD:

- A. The proposed new access will be approximately 1400' in length from the point of origin to the southwest corner of the drilling pad. The road will lie in a north to south 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 400' x 400' 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: Dorothy Lessard, 8009 Davis Blvd #1105, Ft. Worth, Texas 76180.

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: Pat Perez, 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 |
|---|---|

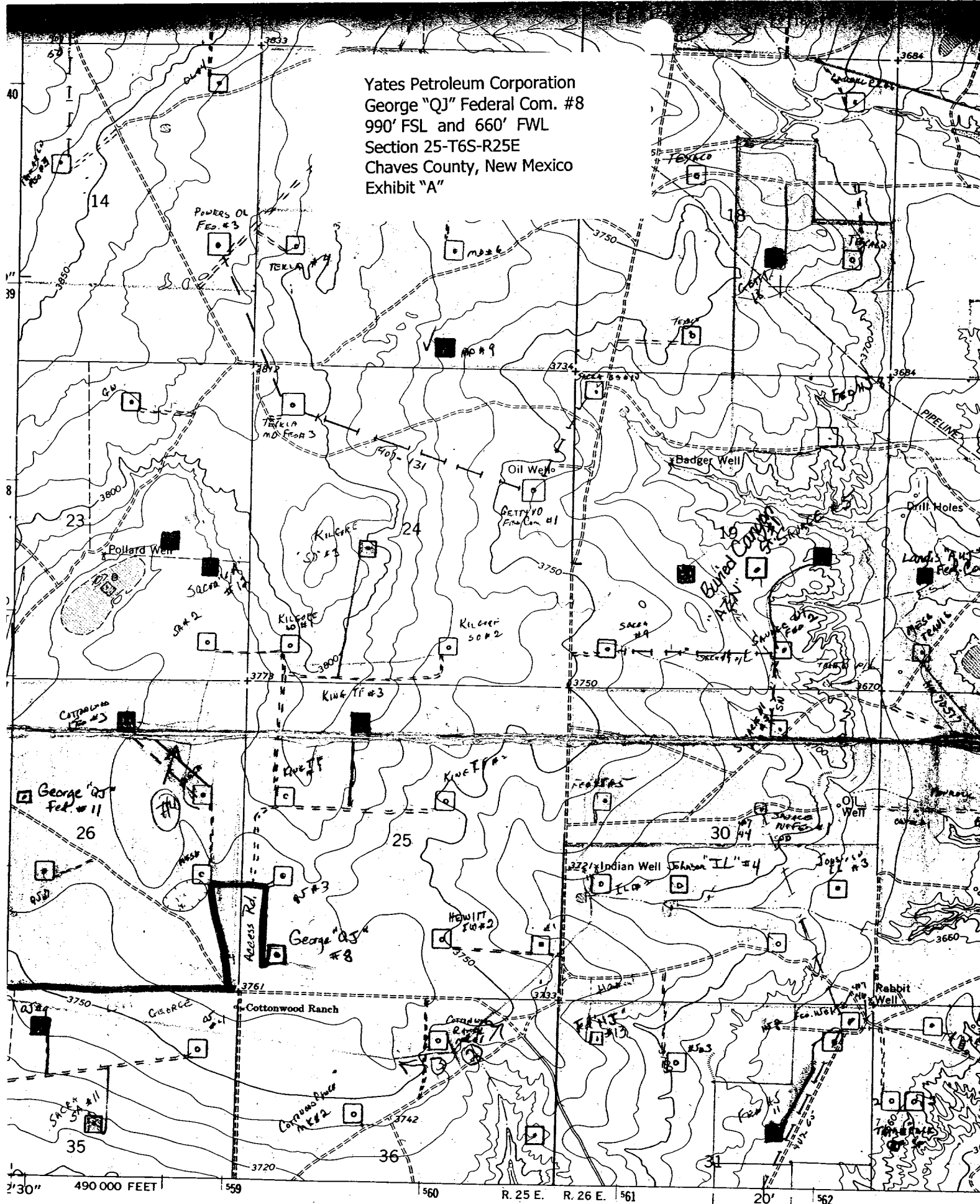
14. CERTIFICATION:

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.

10/02/2001


Regulatory Agent

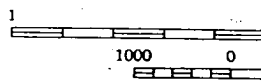
Yates Petroleum Corporation
George "QJ" Federal Com. #8
990' FSL and 660' FWL
Section 25-T6S-R25E
Chaves County, New Mexico
Exhibit "A"



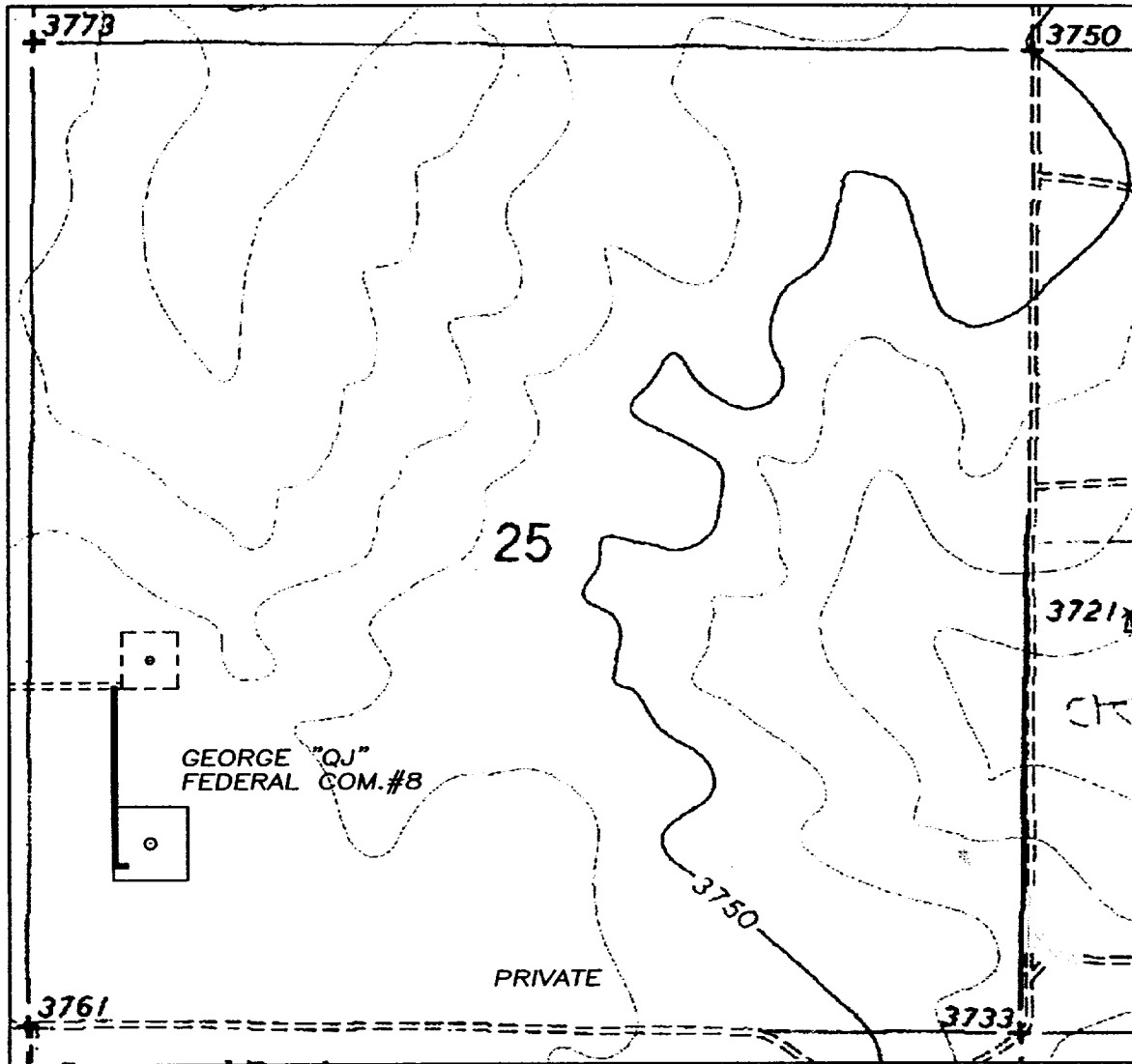
Mapped, edited, and published by the Geological Survey

Control by USGS and NOS/NOAA

Topography by photogrammetric methods from aerial
photographs taken 1966. Field checked 1967



SECTION 25, TOWNSHIP 6 SOUTH, RANGE 25 EAST, NMPM, CHAVES COUNTY, NEW MEXICO.



Yates Petroleum Corporation
George "QJ" Federal Com. #8
990' FSL and 660' FWL
Section 25-T6S-R25E
Chaves County, New Mexico
Exhibit "A-1"

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 SURVEYING IN NEW MEXICO AS ADOPTED BY THE NEW MEXICO STATE BOARD OF REGISTRATION FOR PROFESSIONAL ENGINEERS AND LAND SURVEYORS.

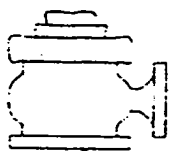
[Signature]
HERSCHEL L. JONES R.L.S. No. 3640

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

YATES PETROLEUM CORP.

LEASE ROAD TO ACCESS THE YATES GEORGE "QJ" FEDERAL COM. #8, LOCATED IN SECTION 25, TOWNSHIP 6 SOUTH, RANGE 25 EAST, NMPM, CHAVES COUNTY, NEW MEXICO.

| | |
|------------------------|---------------------------|
| Survey Date: 9/26/2001 | Sheet 1 of 1 Sheets |
| Drawn By: Ed Blovins | W.O. Number |
| Date: 9/26/01 | Scale 1" = 1000' GEORGE 8 |



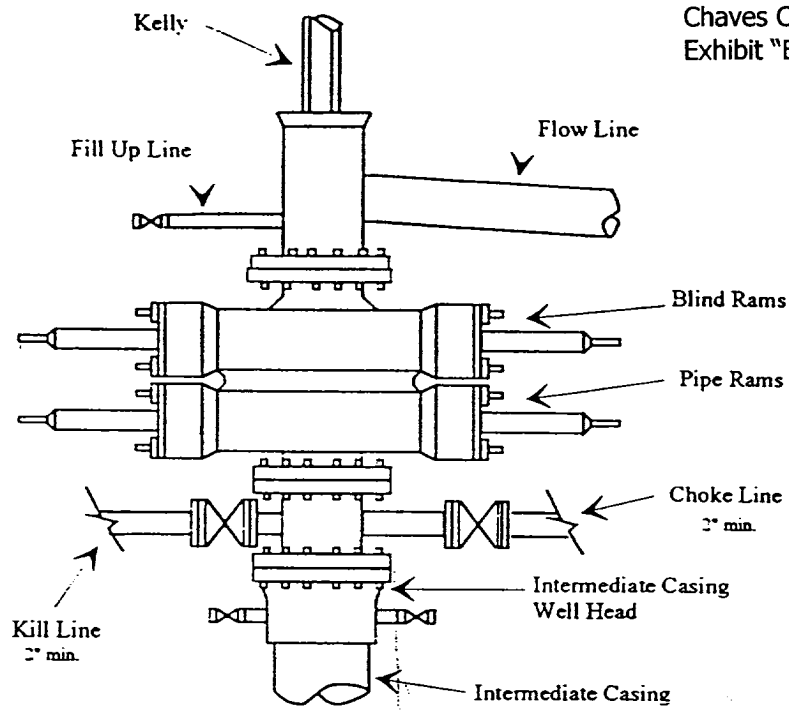
Yates Petroleum Corporation

BOP-2

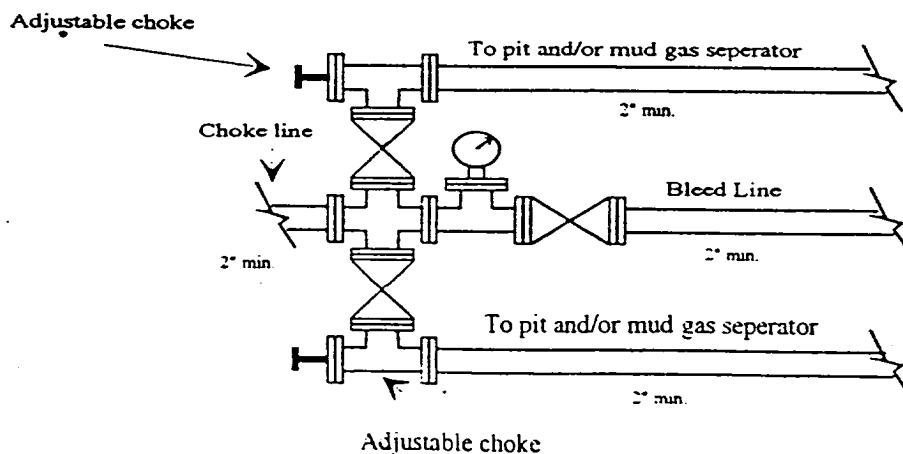
Typical 2,000 psi Pressure System Schematic

Double Ram Preventer Stack

Yates Petroleum Corporation
George "QJ" Federal Com. #8
990' FSL and 660' FWL
Section 25-T6S-R25E
Chaves County, New Mexico
Exhibit "B"

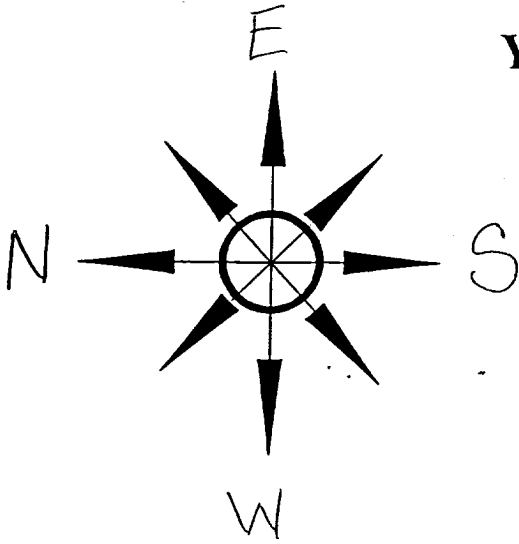


Typical 2,000 psi choke manifold assembly with at least these minimum features

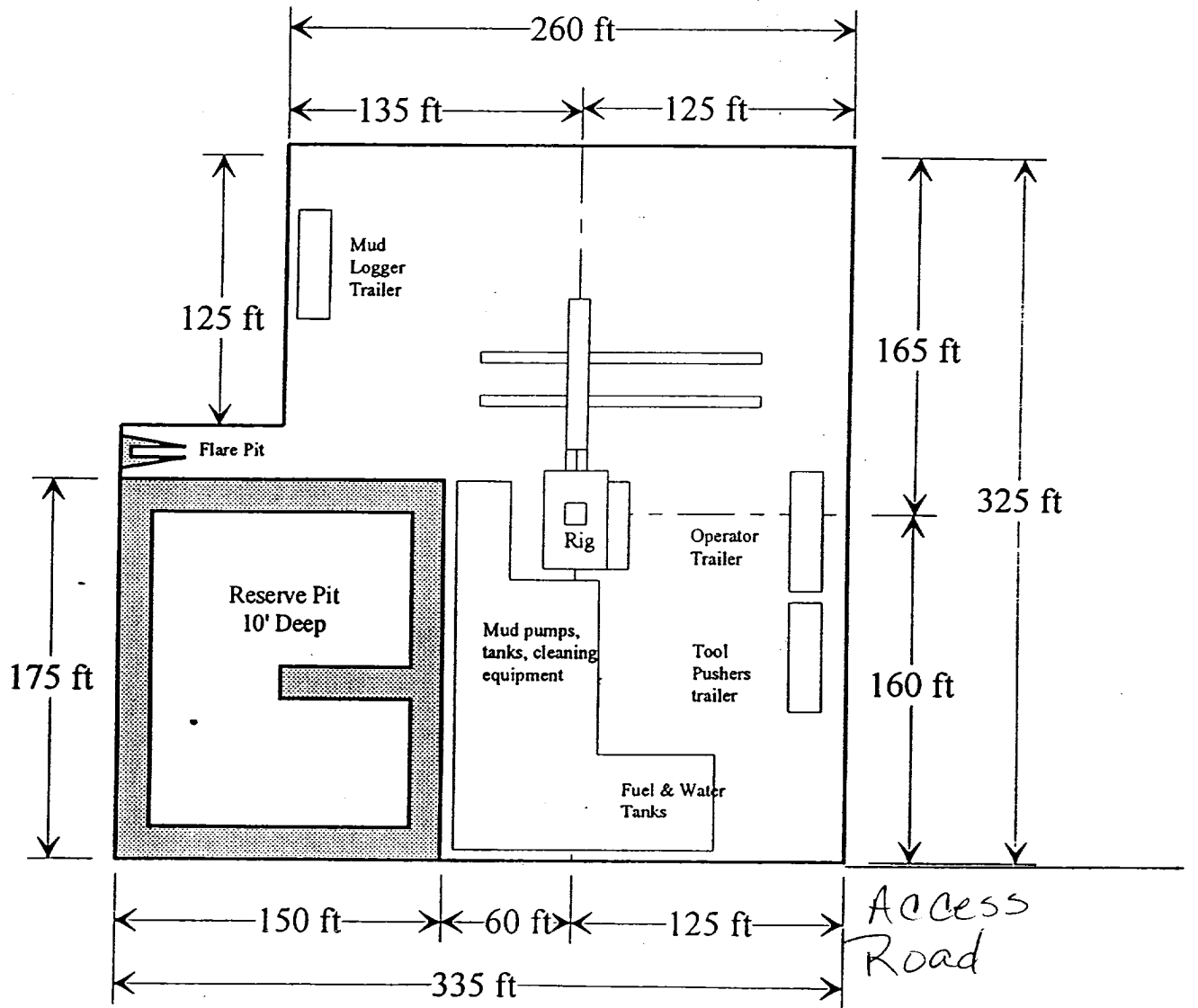


Yates Petroleum Corporation

Location Layout for Permian Basin
Up to 12,000'



Yates Petroleum Corporation
George "QJ" Federal Com. #8
990' FSL and 660' FWL
Section 25-T6S-R25E
Chaves County, New Mexico
Exhibit "C"



Distance from Well
Head to Reserve Pit
will vary between rigs

The above dimension
should be a maximum

Yates Petroleum Corporation
George "QJ" Federal Com. #8
990' FSL and 660' FWL
Section 25-T6S-R25E
Chaves County, New Mexico
Exhibit "D"

