

New Mexico Oil Conservation Division, District I
1625 N. French Drive
Hobbs, NM 88240

Form 3160-3
 (August 1999)

UNITED STATES
 DEPARTMENT OF THE INTERIOR
 BUREAU OF LAND MANAGEMENT

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-17444	
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 25575			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: 34130 Methodist Children's Home BEQ Fed. Com #1
4. Location of Well (Report location clearly and in accordance with any State requirements. *) At surface (H) 1650' FNL and 660' FEL At proposed prod. Zone same as above			9. API Well No: 30-025-36770	
14. Distance in miles and direction from nearest town or post office* Approximately twenty (10) miles West of Lovington, NM			10. Field and Pool, or Exploratory Wildcat Mississippian	
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 330'		16. No. of Acres in lease 160		17. Spacing Unit dedicated to this well 320 acres
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft.		19. Proposed Depth 13,400'		20. BLM/BIA Bond No. on file NM-2811
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 4066' GL		22. Approximate date work will start* ASAP		23. Estimated duration 40 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.
2. A Drilling Plan.
3. A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office. | 4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above).
5. Operator certification.
6. Such other site specific information and/or plans as may be required by the authorized office. |
|---|--|

25. Signature Clifton R. May		Name (Printed/Typed) CLIFTON R. MAY	Date 6/15/04
Title: _____			
Regulatory Agent			
Approved by (Signature) /s/ Joe G. Lara		Name (Printed/Typed) /s/ Joe G. Lara	Date JUL 16 2004
Title Acting FIELD MANAGER		Office CARLSBAD FIELD OFFICE	

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

Conditions of approval, if any, are attached.

APPROVAL FOR 1 YEAR

Title 18 U.S.C. Section 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)

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

DISTRICT II

811 South First, Artesia, NM 88210

Instruction on back

Submit to Appropriate District Office

DISTRICT III

1000 Rio Brazos Rd., Aztec, NM 87410

State Lease - 4 Copies

Fee Lease - 3 Copies

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 30-025-36770	Pool Code	Pool Name Wildcat Mississippian
Property Code 34130	Property Name METHODIST CHILDRENS HOME "BEQ" FEDERAL COM.	Well Number 1
OGRID No. 025575	Operator Name YATES PETROLEUM CORPORATION	Elevation 4066

Surface Location

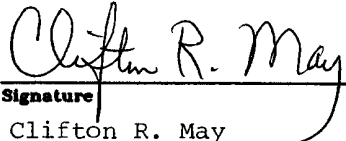
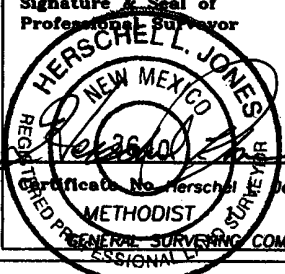
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
H	34	15S	34E		1650	NORTH	660	EAST	LEA

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	Joint or Infill	Consolidation Code	Order No.
320 N/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

FEE	NM-106699	1650' 4066'-4064' 660' 4064' 4064' N.719854.6 E.758084.2 (NAD-27) N.32°58'34.4" W.103°29'32.2" NM-17444	OPERATOR CERTIFICATION I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.  Signature Clifton R. May Printed Name Regulatory Agent Title June 15, 2004 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. 6/10/2004 Date Surveyed Signature & Seal of Professional Surveyor  Certificate No. Herschel Jones RLS 3640 METHODIST GENERAL SURVEYING COMPANY PROFESSIONAL

0 330' 660' 990' 1650' 1980' 2310' 2310' 1980' 1650' 990' 660' 330' 0'

YATES PETROLEUM CORPORATION
Methodist Children's Home BEQ Federal Com #1
 1650' FNL and 660' FEL
 Section 34-T15S-R34E
 Lea County, New Mexico

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

Rustler	1770'	Wolfcamp	9770'
Yates	2940'	Strawn Lm	11900'
San Andres	4500'	Atoka Shale	12100'
Glorieta	6220'	Morrow	12755'
Tubb	7330'	Austin	13060'
Abo	7970'	TD	13400'

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

Water: 56'
 Oil or Gas: All potential formations.

3. Pressure Control Equipment: BOPE will be installed on the 9 5/8" 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. 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>
17.5"	13.375"	48#	H-40	ST&C	0-400'	400'
12.25"	9.625"	40#	J-55	ST&C	0-100"	100'
12.25"	9.625"	36#	J-55	ST&C	100-3100'	3000'
12.25"	9.625"	40#	J-55	ST&C	3100-4100'	1000'
12.25"	9.625"	40#	L-80	LT&C	4100-4700'	600'
8.75"	5.5"	17#	P-110	LT&C	0-1100'	1100'
8.75"	5.5"	17#	L-80	LT&C	1100-10000'	8900'
8.75"	5.5"	17#	HCP-110	LT&C	10000-13400'	3400'

- Minimum Casing Design Factors: Collapse 1.125, Burst 1.0, and Tensile Strength 1.8
- A 5,000 psi BOP will be nipped up on the 9 5/8" casing and tested to 5000 psi .

B. CEMENTING PROGRAM:

Surface Casing: Cement with 300 sx Lite (YLD 2.0 WT 12.5). Tail in with 250 sx class "C" (YLD 1.32 WT 14.8).

Intermediate Casing: 1200 sx filler lite (YLD 2.5 WT 12.0) and tail in with 200 sx class C (YLD 1.32 WT 14.8)

Production Casing: 1300 sx Lite (YLD 2.0 WT 12.5). Tail in with 1300 sx super H modified (YLD 1.62 WT 13.2) TOC 4200'.

5. MUD PROGRAM AND AUXILIARY EQUIPMENT:

<u>Interval</u>	<u>Type</u>	<u>Weight</u>	<u>Viscosity</u>	<u>Fluid Loss</u>
0-400'	FW GEL/Paper	8.6-9.0	32-34	N/C
400'-4700'	FW going to Brine	8.6-10.4	32-38	<15CC
4700'-12100'	Cut Brine w/Sweeps	8.6-9.6	28	N/C
12100'-TD	Salt Gel/Starch/4% KCL	9.6-10	34-40	<10CC

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. Rig personnel will check mud hourly.

6. EVALUATION PROGRAM:

Samples: 10' samples out from under surface casing.

Logging: Platform Express-Hals; BHC Sonic; NGT GR-Neutron to surface; FNI

Coring: None

DST's: As warranted

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

Anticipated BHP:

From: 0	TO: 400'	Anticipated Max. BHP: 175 PSI
From: 400'	TO: 4700'	Anticipated Max. BHP: 2550 PSI
From: 4600	TO: 13400'	Anticipated Max. BHP: 6975 PSI

Abnormal Pressures Anticipated: None

Lost Circulation Zones Anticipated: None.

H2S Zones Anticipated: None Anticipated

Maximum Bottom Hole Temperature: 199 F

8. ANTICIPATED STARTING DATE:

Plans are to drill this well as soon as possible after receiving approval. It should take approximately 40 days to drill the well with completion taking another 40 days.

MULTI-POINT SURFACE USE AND OPERATIONS PLAN
YATES PETROLEUM CORPORATION
Methodist Children's Home BEQ Federal Com #1
1650' FNL & 660' FEL
Section 34-T15S-R34E
Lea 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 well site is located approximately 10 miles west of Lovington, New Mexico and the access route to the location is indicated in red and green on Exhibit A.

DIRECTIONS:

Go West out of Lovington, NM from the intersection of 82 & 18 for approximately 1.1 mile to 17th street. Turn north and go approximately 1.5 miles to Gum Street. Turn west and go approximately 7.1 miles to a lease road and a cattle guard on the North side of the road. (Two locks on the gate. One is 6685 and the other is 4202.) Go north for approximately 0.6 of a mile and the new road will start here going east. (Will need to put a cattle guard in the North/South fence.) Go approximately 0.34 of a mile to the Southwest corner of the pad.

2. PLANNED ACCESS ROAD:

- A. The proposed new access will be approximately 1800' in length from the point of origin to the Northwest corner of the drilling pad.
- 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 both sides. One traffic turnout may be needed.
- D. The route of the road is visible.
- E. Existing roads will be maintained in the same or better condition.
- F. One cattle guard will be needed.

3. LOCATION OF EXISTING WELL:

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

4. LOCATION OF EXISTING AND/OR PROPOSED FACILITIES:

- A. There are no 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 a producing gas well.

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, possibly in Lovington, 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 be responsible for finding a source of material for construction of road and pad and will obtain any permits that may be required.

7. METHODS OF HANDLING WASTE DISPOSAL:

- A. Drill cuttings will be disposed of in the reserve pits.
- B. The reserve pits will be constructed and reclamation done according to NMOCD guidelines.
- C. Drilling fluids will be allowed to evaporate in the reserve pits until the pits are dry.
- D. Water produced during operations will be collected in tanks until hauled to an approved disposal system, or separate disposal application will be submitted.
- E. Oil produced during operations will be stored in tanks until sold.
- F. Current laws and regulations pertaining to the disposal of human waste will be complied with.
- G. 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. Note: Pits to North.
- B. The reserve pits will be plastic lined with 20 mil.
- 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 well site 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 plugged and abandoned, 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:

Caswell Farms, Inc., Olane Caswell, 1702 Gilham, Brownfield, TX 79316, 806.637.7004.

12. OTHER INFORMATION:

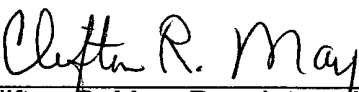
- A. Topography: Refer to the existing archaeological report for a description of the topography, flora, fauna, soil characteristics, dwellings, and historical and cultural sites.
- B. The primary surface use is for grazing.

13. OPERATOR'S REPRESENTATIVE:

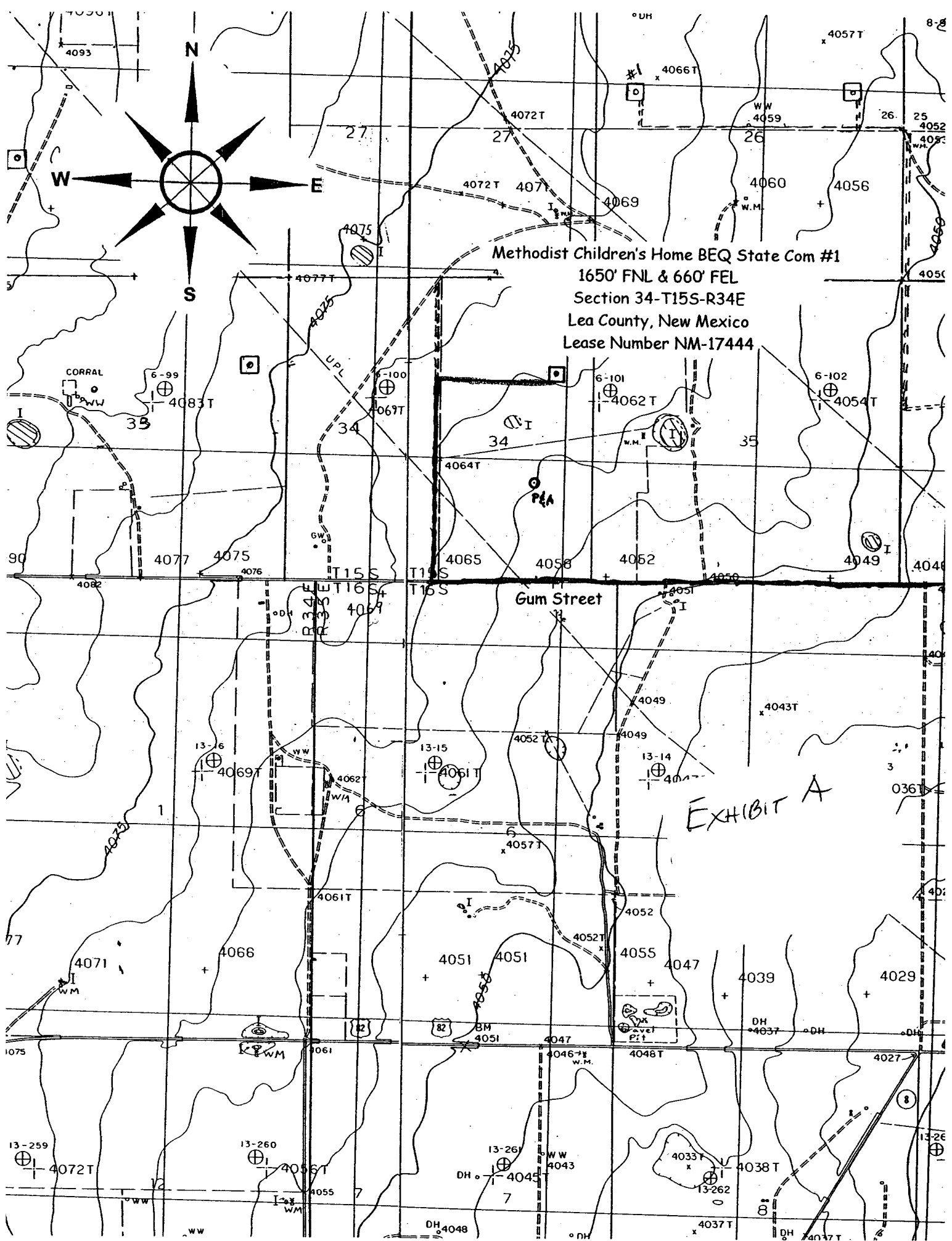
- | | |
|--|---|
| A. Through A.P.D. Approval:
Clifton R. May, Regulatory Agent
Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210
Phone (505) 748-1471 | B. Through Drilling, Completions & Prod.
Pinson McWhorter, Operations Manager
Yates Petroleum Corporation
105 South Fourth 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.



Clifton R. May, Regulatory Agent



SECTION 34, TOWNSHIP 15 SOUTH, RANGE 34 EAST, NMPM, LEA COUNTY, NEW MEXICO.

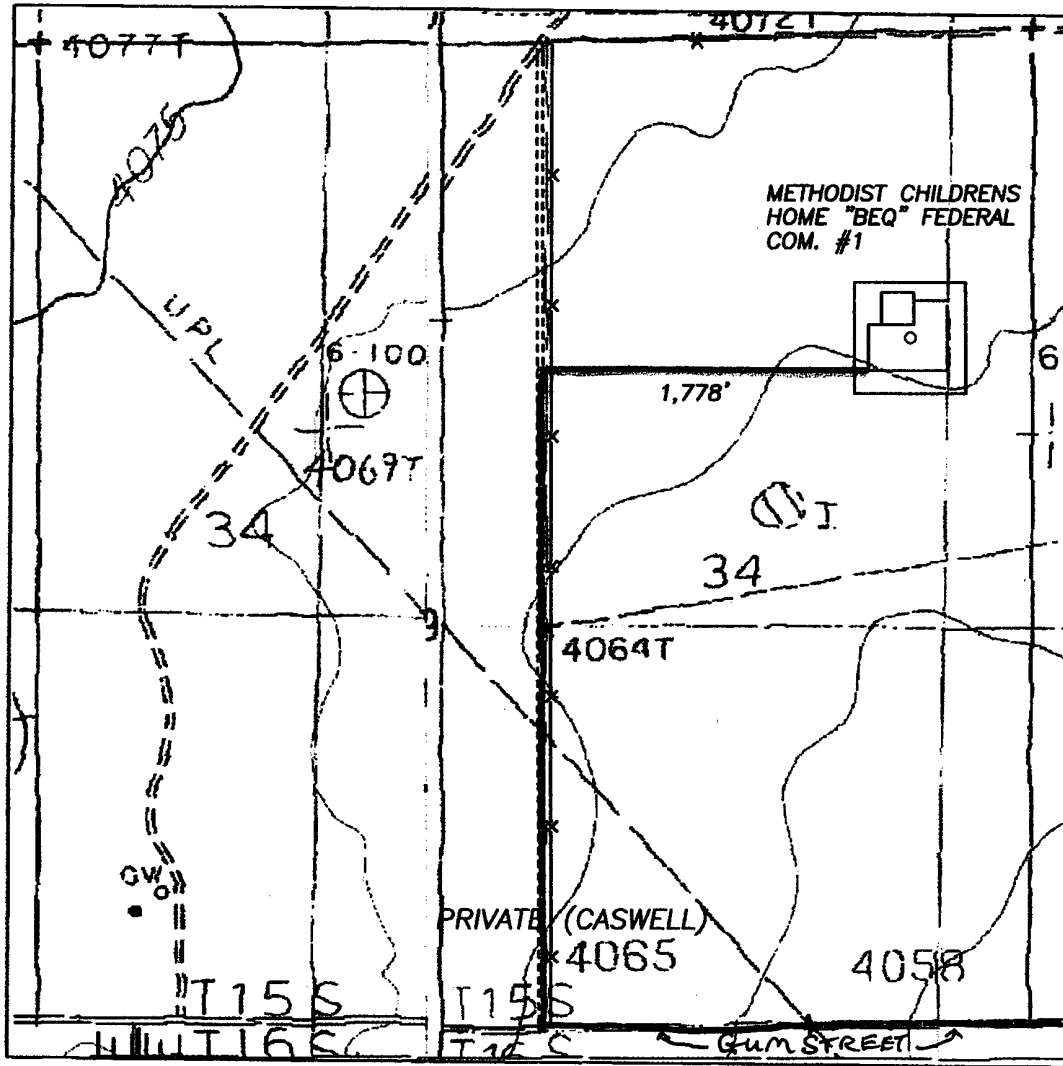
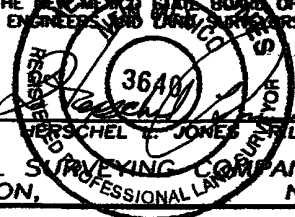


EXHIBIT A₁

1000' 0 1000' 2000'
Scale 1" = 1000'

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



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

YATES PETROLEUM CORP.

LEASE ROAD TO ACCESS THE YATES METHODIST CHILDRENS HOME "BEQ" FEDERAL COM. #1 WELL, LOCATED IN SECTION 34, TOWNSHIP 15 SOUTH, RANGE 34 EAST, NMPM, LEA COUNTY, NEW MEXICO.

Survey Date: 6/10/2004	Sheet 1 of 1 Sheets
Drawn By: Ed Blevins	W.O. Number
Date: 6/10/04	Scale 1" = 1000' METHODIST

Yates Petroleum Corporation

Location Layout for Permian Basin
Up to 12,000'

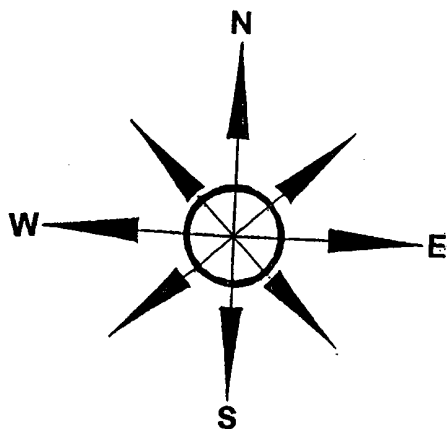
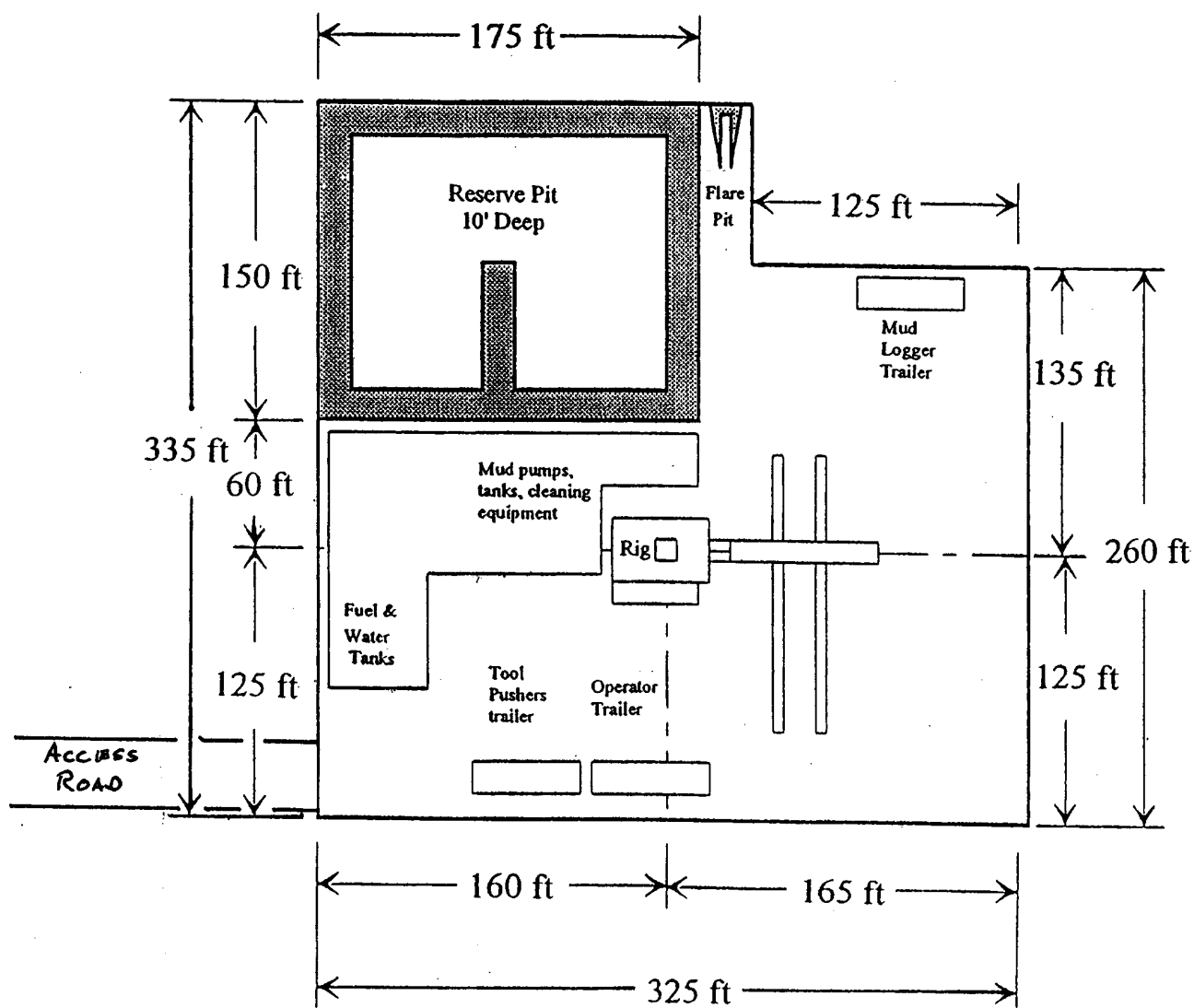
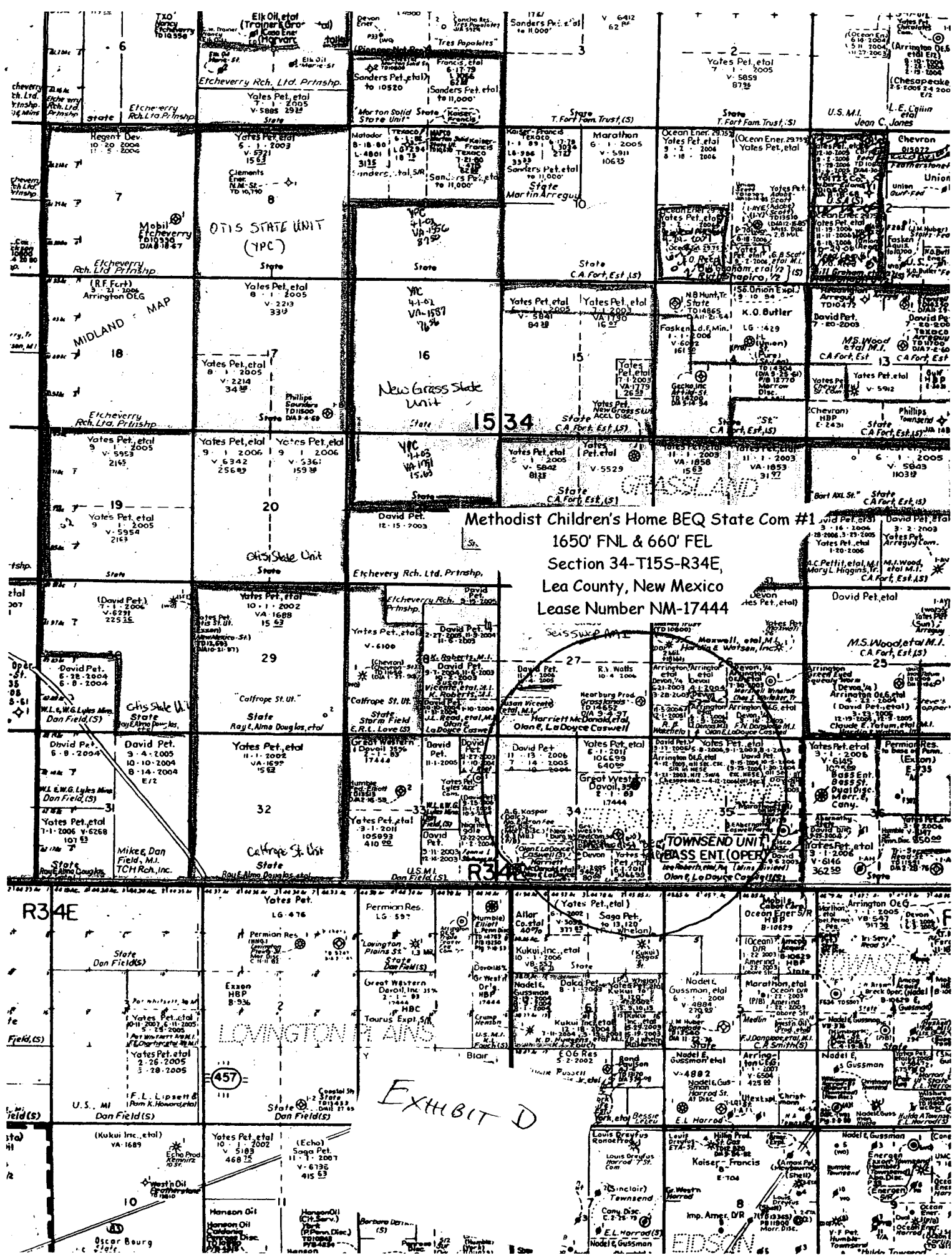


EXHIBIT C



Distance from Well
Head to Reserve Pit
will vary between rigs

The above dimension
should be a maximum



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 OF THE BOARD
JOHN A. YATES
PRESIDENT
PEYTON YATES
EXECUTIVE VICE PRESIDENT
RANDY G. PATTERSON
SECRETARY
DENNIS G. KINSEY
TREASURER

June 30, 2004

Ms. Linda Askwig
Bureau of Land Management
2909 West Second Street
Roswell, NM 88201-1857

Re: Methodist Children's Home BEQ Fed Com Well No. 1
Landowner Agreement

Dear Ms. Askwig:

Yates Petroleum Corporation has contacted Mr. Caswell and reached an agreement as to Yates' operations to be conducted on his private surface.

Thank you for your assistance.

Sincerely,

YATES PETROLEUM CORPORATION

Clifton R. May
Regulatory Agent

/crm

MARTIN YATES, III
1912 - 1985
FRANK W. YATES
1936 - 1986



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210-2118
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TREASURER

STATEMENT ACCEPTING RESPONSIBILITY FOR OPERATIONS

The undersigned accepts all applicable terms, conditions, stipulations, and restrictions concerning operations conducted on the leases land or portion thereof, as described below:

Lease No.: NM-17444 Bond Coverage: Individually Bonded

Legal Description of Land:

BLM Bond File No.: NM 2811

T15S-R34E

Section 34: S1/2NE1/4;N1/2SE1/4

Formation (s) – (if applicable):

YATES PETROLEUM CORPORATION

Date: June 30, 2004


Randy G. Patterson, Attorney-in-Fact

District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy Minerals and Natural Resources

Form C-144
March 12, 2004

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

For drilling and production facilities, submit to appropriate NMOCD District Office.
For downstream facilities, submit to Santa Fe office

Pit or Below-Grade Tank Registration or Closure

Is pit or below-grade tank covered by a "general plan"? Yes ☒ No ☐
Type of action: Registration of a pit or below-grade tank ☒ Closure of a pit or below-grade tank ☐

Operator: Yates Petroleum Corporation Telephone: (505) 748-4347 e-mail address: debbiec@ypcnm.com
Address: 105 South 4th Street, Artesia, NM 88210
Facility or well name: Methodist Children's Home BEQ Federal Com. #1 API #: 30-025-36770 U/L or Qtr/Qtr H Sec 34 T 15S R 34E
County: Lea Latitude N32.9762 Longitude W103.4923 NAD: 1927 ☒ 1983 ☐ Surface Owner Federal ☐ State ☐ Private ☒ Indian ☐

Pit Type: Drilling ☒ Production ☐ Disposal ☐
Workover ☐ Emergency ☐
Lined xx Unlined ☐
Liner type: Synthetic ☒ Thickness 20 mil
Clay ☐ Volume 20,000 bbl

Below-grade tank

Volume: _____ bbl Type of fluid: _____
Construction material: _____
Double-walled, with leak detection? Yes ☐ If not, explain why not. _____

Depth to ground water (vertical distance from bottom of pit to seasonal high water elevation of ground water.)	Less than 50 feet	(20 points)
	50 feet or more, but less than 100 feet	(10 points)
	100 feet or more	(0 points)
Wellhead protection area: (Less than 200 feet from a private domestic water source, or less than 1000 feet from all other water sources.)	Yes	(20 points)
	No	(0 points)
Distance to surface water: (horizontal distance to all wetlands, playas, irrigation canals, ditches, and perennial and ephemeral watercourses.)	Less than 200 feet	(20 points)
	200 feet or more, but less than 1000 feet	(10 points)
	1000 feet or more	(0 points)
Ranking Score (Total Points)		10 Points

If this is a pit closure: (1) attach a diagram of the facility showing the pit's relationship to other equipment and tanks. (2) Indicate disposal location:

onsite ☐ offsite ☐ If offsite, name of facility _____. (3) Attach a general description of remedial action taken including remediation start date and end date. (4) Groundwater encountered: No ☐ Yes ☐ If yes, show depth below ground surface _____ ft. and attach sample results. (5) Attach soil sample results and a diagram of sample locations and excavations.

I hereby certify that the information above is true and complete to the best of my knowledge and belief. I further certify that the above-described pit or below-grade tank has been/will be constructed or closed according to NMOCD guidelines ☐, a general permit ☒, or an (attached) alternative OCD-approved plan ☐.

Date: June 16, 2004

Printed Name/Title Clifton R. May/Regulatory Agent Signature Clifton R. May

Your certification and NMOCD approval of this application/closure does not relieve the operator of liability should the contents of the pit or tank contaminate ground water or otherwise endanger public health or the environment. Nor does it relieve the operator of its responsibility for compliance with any other federal, state, or local laws and/or regulations.

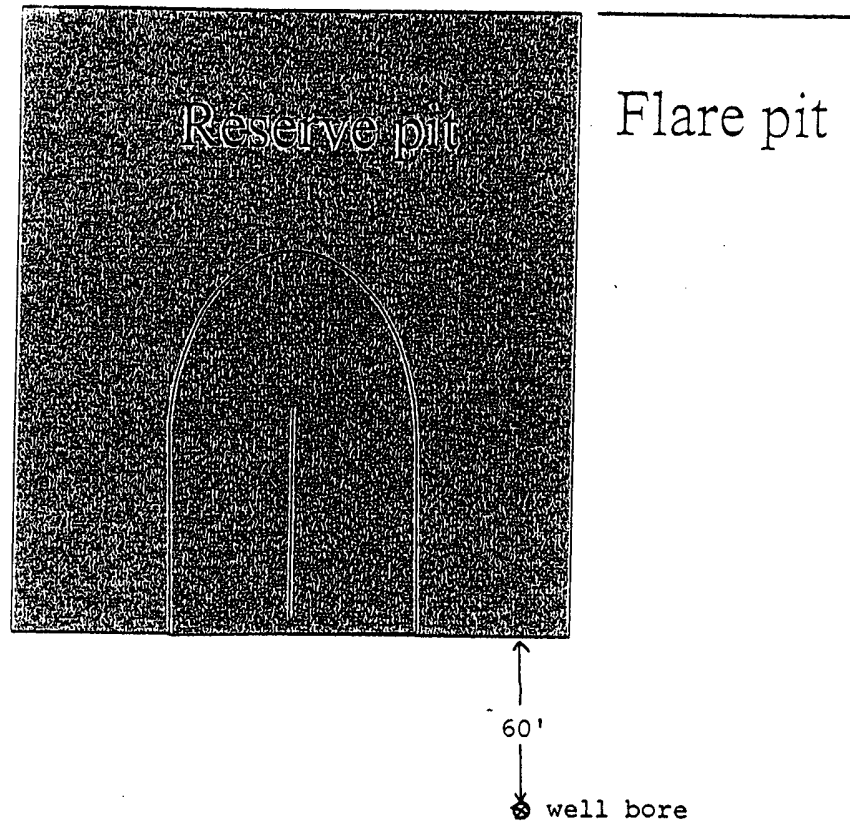
Approval:

Date: _____

Printed Name/Title _____ Signature _____

YATES PETROLEUM CORPORATION
General Plan was approved 4/15/04

The reserve pit will be to the North.
The Southeast Corner of the pit will
be approximately 60' North of the well
bore. The pit will be a 150' X 150'
and 5' deep with a capacity of 20,000
bbls.



Standard reserve pit. All Reserve pits are double
Horse shoe size varies with depth of well