

OPER. OGRID NO. 25513
PROPERTY NO. 11900
POOL CODE 1260
EFF. DATE 11/1/04
API NO. 30-005-21188

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

BUREAU OF LAND MANAGEMENT

SEP 21 7/04

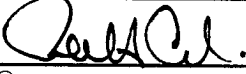
APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of Work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. NM-15896
b. Type of Well: 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
2. Name of Operator Yates Drilling Company		7. If Unit or CA Agreement, Name and No.
3A. Address 105 South Fourth Street Artesia, New Mexico 88210		8. Lease Name and Well No. Cactus Queen Unit #19
3b. Phone No. (include area code) (505) 748-1471		9. API Well No. 30-005-21188
4. Location of Well (Report location clearly and in accordance with any State requirements. *) At surface 1270' FNL and 1650' FEL Unit B At proposed prod. Zone Same		10. Field and Pool, or Exploratory Chaves Queen SE Associated
14. Distance in miles and direction from nearest town or post office* Approximately 26 Miles north of Maljamar, New Mexico		11. Sec., T., R., M., or Blk. and Survey or Area Section 34, T12S-R31E
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 40	17. Spacing Unit dedicated to this well 40
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft.	19. Proposed Depth 3100'	20. BLM/BIA Bond No. on file 586000
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 4431' GL	22. Approximate date work will start* ASAP	23. Estimated duration 30 Days

24. Attachments

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

- | | |
|--|---|
| 1. Well plat certified by a registered surveyor. | 4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above). |
| 2. A Drilling Plan. | 5. Operator certification. |
| 3. A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office. | 6. Such other site specific information and/or plans as may be required by the authorized office. |

25. Signature 	Name (Printed/Typed) Robert Asher	Date 8/16/04
Email: debbiec@ypcnm.com		
Title: Regulatory Agent / Land Department		
Approved by (Signature) /S/LARRY D. BRAY	Name (Printed/Typed) /S/LARRY D. BRAY	Date SEP 20 2004
Title Assistant Field Manager, Lands And Minerals	Office ROSWELL FIELD OFFICE	APPROVED FOR 1 YEAR

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.

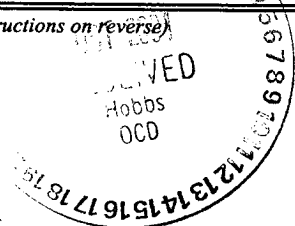
Conditions of approval, if any, are attached.

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)

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

PREVIOUSLY APPROVED



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

State of New Mexico
Energy, Minerals & Natural Resources Department

Form C-102
Revised August 15, 2000

District II
811 South First, Artesia, NM 88210

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

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

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

☐ AMENDED REPORT

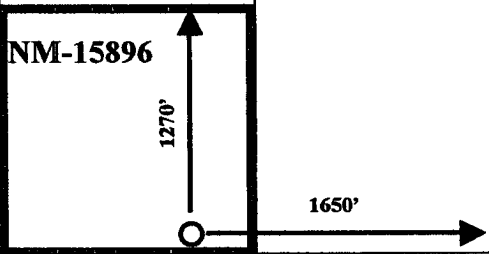
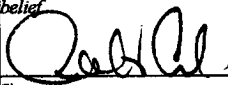
WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-005-21188	² Pool Code 12110 12210	³ Pool Name Chaves Queen SE Associated
⁴ Property Code 11900	⁵ Property Name Cactus Queen Unit	⁶ Well Number 19
⁷ OGRID No. 025513	⁸ Operator Name Yates Drilling Company	⁹ Elevation 4431

¹⁰ Surface Location									
UL or lot no. B	Section 34	Township 12S	Range 31E	Lot Idn	Feet from the 1270	North/South line North	Feet from the 1650	East/West line East	County 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 40	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.  Signature
					Robert Asher Printed Name
					Regulatory Agent Title
					08/16/2004 Date
					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

DISTRICT I
1625 N. Frank's Dr., Hobbs, NM 88240

DISTRICT II
811 South First, Artesia, NM 88210

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

DISTRICT IV
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised March 17, 1999
Instruction on back
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

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 12110	Pool Name Chaves Queen SE Associated
Property Code	Property Name CACTUS QUEEN UNIT	Well Number 19
OGRID No. 025513	Operator Name YATES DRILLING COMPANY	Elevation 4431

Surface Location

UL or lot No. B	Section 34	Township 12S	Range 31E	Lot Idn	Feet from the 1270	North/South line NORTH	Feet from the 1650	East/West line EAST	County CHAVES
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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 40	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

		NM-15896	1270'
		N.33°14'15.1" W.103°48'22.5"	1650'

OPERATOR CERTIFICATION

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

Pat Perez
Signature

Pat Perez
Printed Name

Regulatory Agent
Title

May 22, 2002
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.

1/31/2002
Date Surveyed

Signature & Seal of Professional Surveyor
HERSCHEL JONES
Certificate No. Herschel Jones RLS 3640
CACTUS QUEEN UNIT
YATES DRILLING COMPANY

YATES DRILLING COMPANY
Cactus Queen Unit #19
1270' FSL & 1650' FEL
Section 34-T12S-R31E
Chaves County, New Mexico

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

Rustler	1430'
Salt Top	1516'
Salt Base	2103'
Yates	2220'
Seven Rivers	2355'
Queen	2976'
TD	3100'

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

Water: 150' – 300'
Oil or Gas: Queen Formation.

3. Pressure Control Equipment: BOPE will be installed on the 8 5/8" 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>
12"	8 5/8"*	24#	J-55	ST&C	0-450'
7 7/8"	5 1/2"	15.5#	J-55	LT&C	0-3100'

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

B. CEMENTING PROGRAM:

Surface casing: 250 sx Class "C" (YLD 1.32 WT 14.8)

Production Casing: 350 sx Lite "C" (YLD 2.0 WT 12.5). Tail in with 250 sx Class C + 2% CaCl₂ (YLD 1.32 WT 14.8)

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/Native Mud	8.4 – 9.4	28-34	N/C
400-2900'	Cut Brine/Brine	9.0 – 10.0	28	N/C
2900-3100'	Brine/Starch	10 – 10.2	28	< 15/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, W/NGT TD-Surf csg; DLL/ MSFL/GR TD to Surf csg.

Coring: None.

DST's: None.

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

Anticipated BHP:

From: 0'	TO: 400'	Anticipated Max.	BHP: 175	PSI
From: 400'	TO: 3100'	Anticipated Max.	BHP: 1300	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 10 days to drill the well with completion taking another 20 days.

MULTI-POINT SURFACE USE AND OPERATIONS PLAN

Yates Drilling Company
Cactus Queen Unit #19
1270' FSL & 1650' FEL
Section 27-T12S-R31E
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 26 miles north of Maljamar, New Mexico and the access route to the location is indicated in red and green on Exhibit A.

DIRECTIONS:

Go East of Maljamar, NM on HWY 82 for approx. 1 mile to the intersection of 82 and 249. Take 249 North for approx. 5.7 miles and 249 turns West and 172 continues North. Take 172 North for approx. 20.5 miles. There will be a cattle guard with a locked gate on the West side of the road. Turn left thru the cattle guard and then take the left fork. Follow the road for approx. 0.4 of a mile and you come to a crossroads. Turn South and go approx. 0.2 of a mile. The new road will start here and go East approx. 400' to the SW corner of the pad.

2. PLANNED ACCESS ROAD.

- A. The proposed new access will be approximately 400' in length from the point of origin to the southeast corner of the drilling pad. The road will lie in a easterly 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 fresh 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 closest 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. Yates Drilling Company is in full compliance with the OCD General Plan for drilling pits approved on April 15, 2004.
- 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: Split Estate with the surface belonging to Mr. W.T. Tivis, Eunice, New Mexico. Mr. Tivis and Yates Drilling Company have reached an agreement as to the operations to be conducted on his private surface.

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: | B. Through Drilling, Completions & Prod: |
| Robert Asher, Regulatory Agent
Yates Drilling Company
105 South Fourth Street
Artesia, New Mexico 88210
Phone (505) 748-1471 | Toby Rhodes, Vice-President
Yates Drilling Company
105 South Fourth Street
Artesia, New Mexico 88210
Phone (505) 748-1471 |

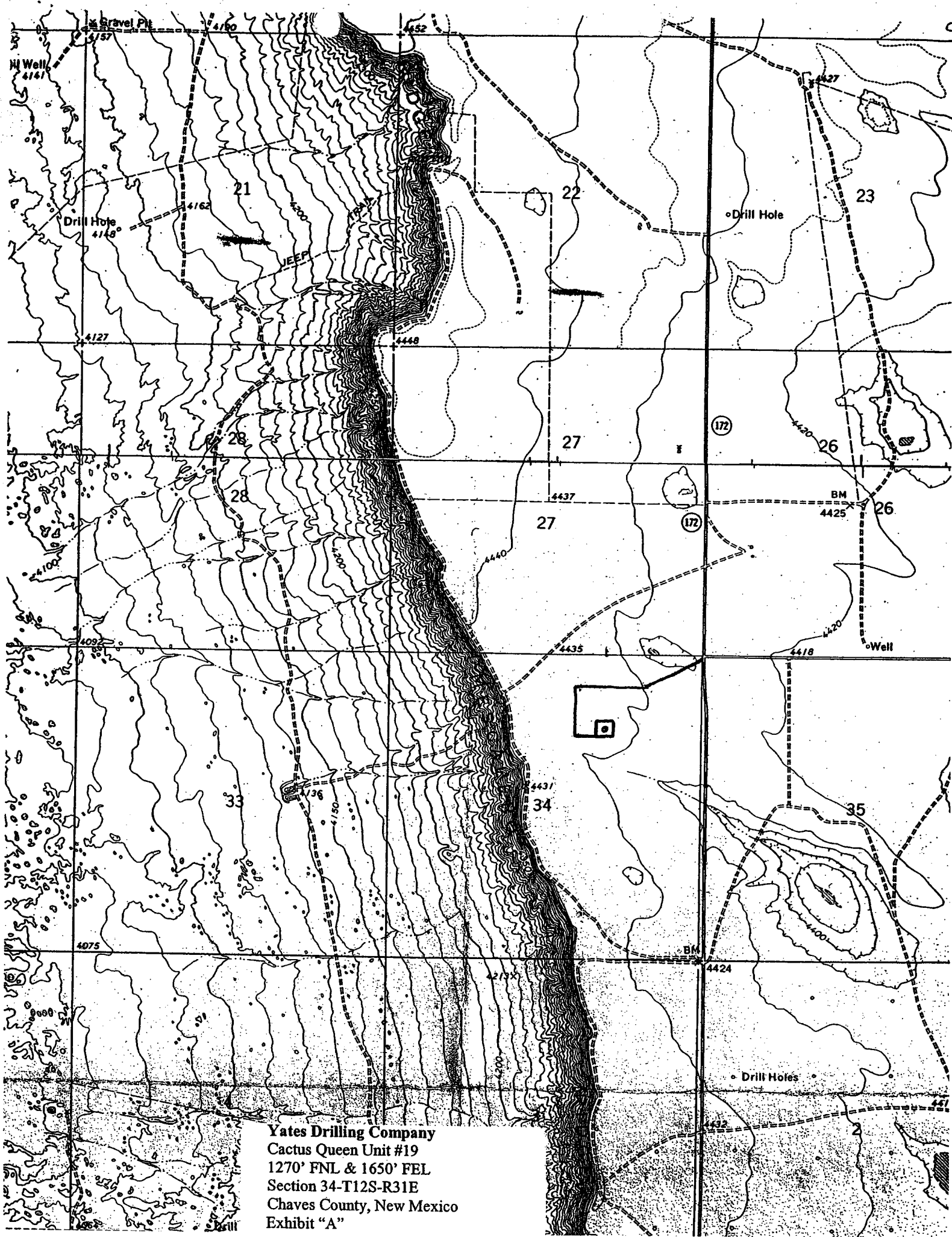
14. CERTIFICATION:

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 Drilling Company 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.

8/16/2004

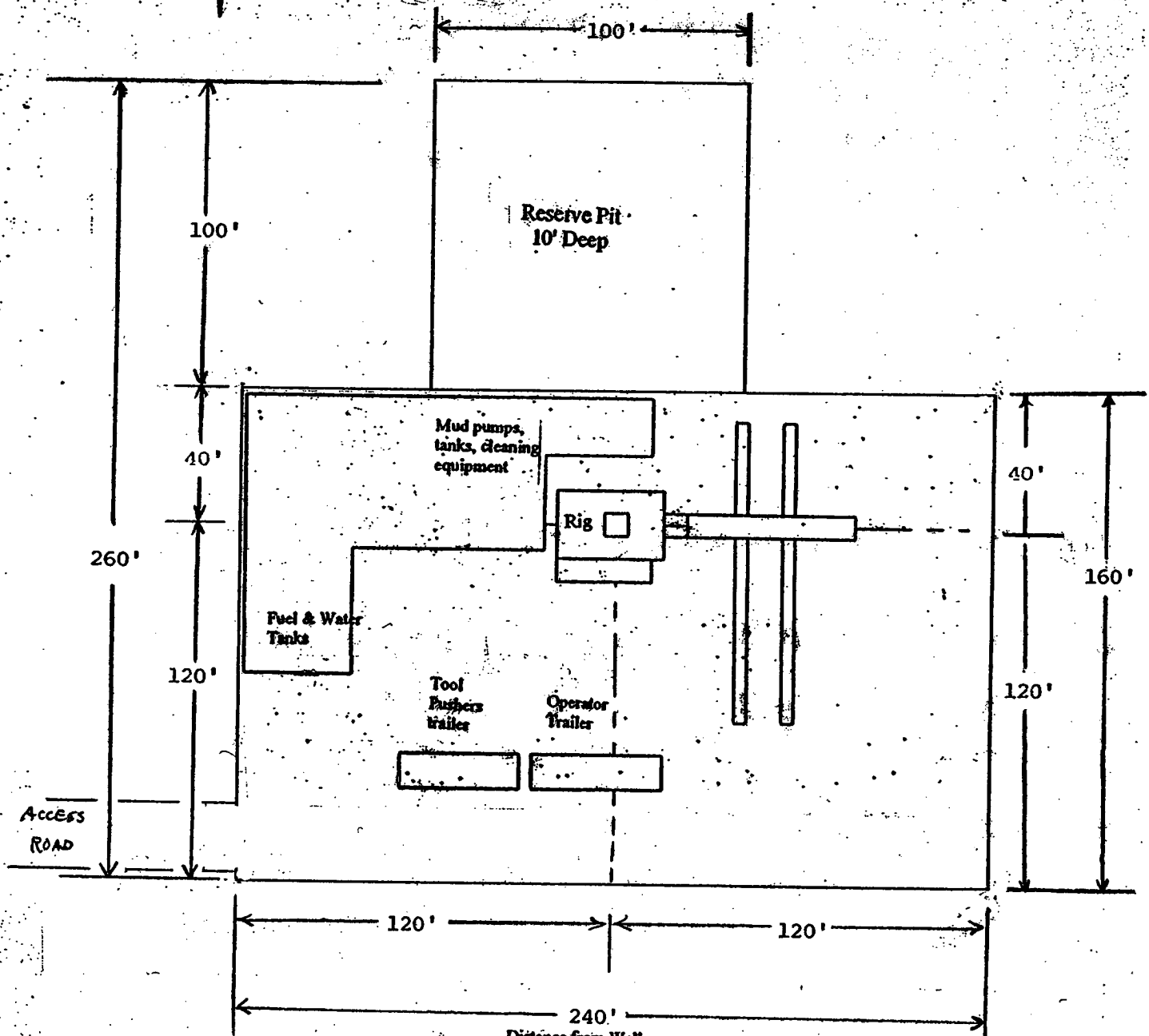
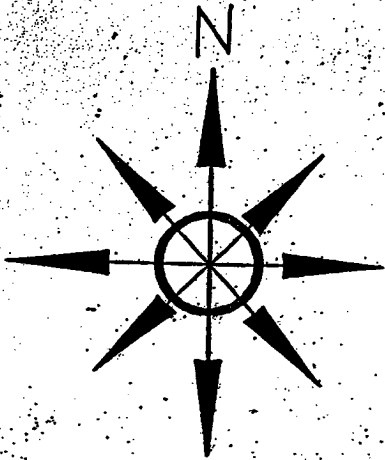


Regulatory Agent



Yates Drilling Company
Cactus Queen Unit #19
1270' FNL & 1650' FEL
Section 34-T12S-R31E
Chaves County, New Mexico
Exhibit "A"

Yates Drilling Company
 Cactus Queen Unit #19
 1270' FNL & 1650' FEL
 Section 34 T12S-R31E
 Chaves County, New Mexico
 Exhibit "B"



Distance from Well Head to Reserve Pit will vary between rigs

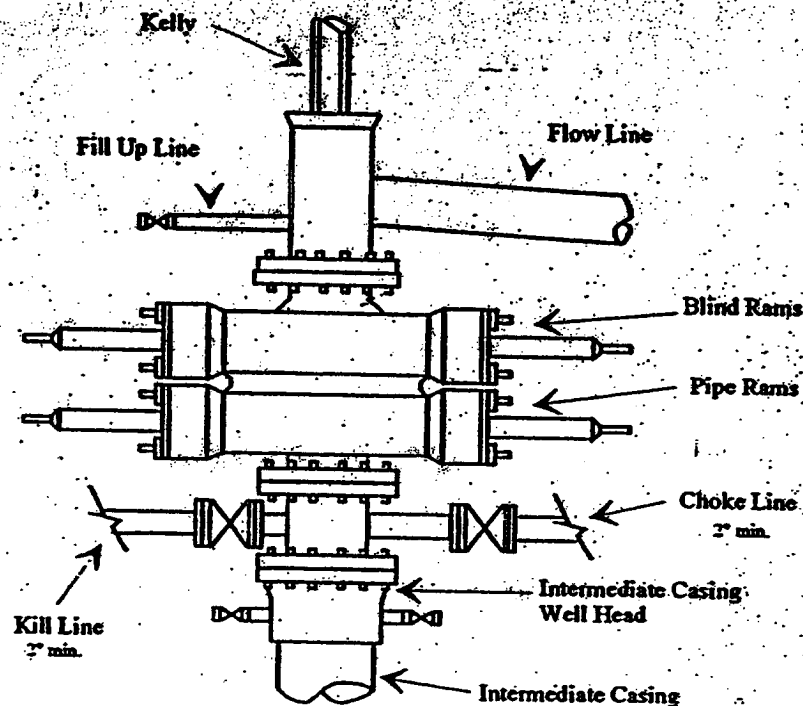
The above dimension should be a maximum



Yates Drilling Company
Cactus Queen Unit #19
1270' FNL & 1650' FEL
Section 34-T12S-R31E
Chaves County, New Mexico
Exhibit "C"

Typical 2,000 psi Pressure System Schematic

Double Ram Preventer Stack



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

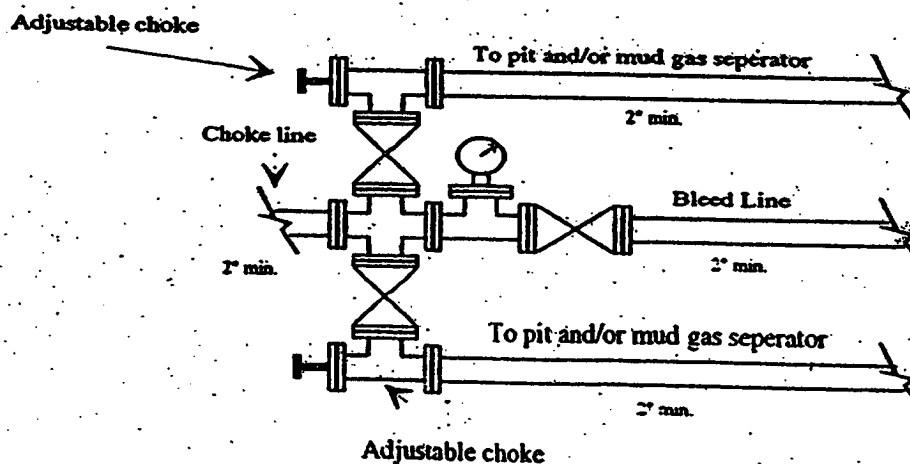


EXHIBIT A

OPERATOR: Yates Drilling Company

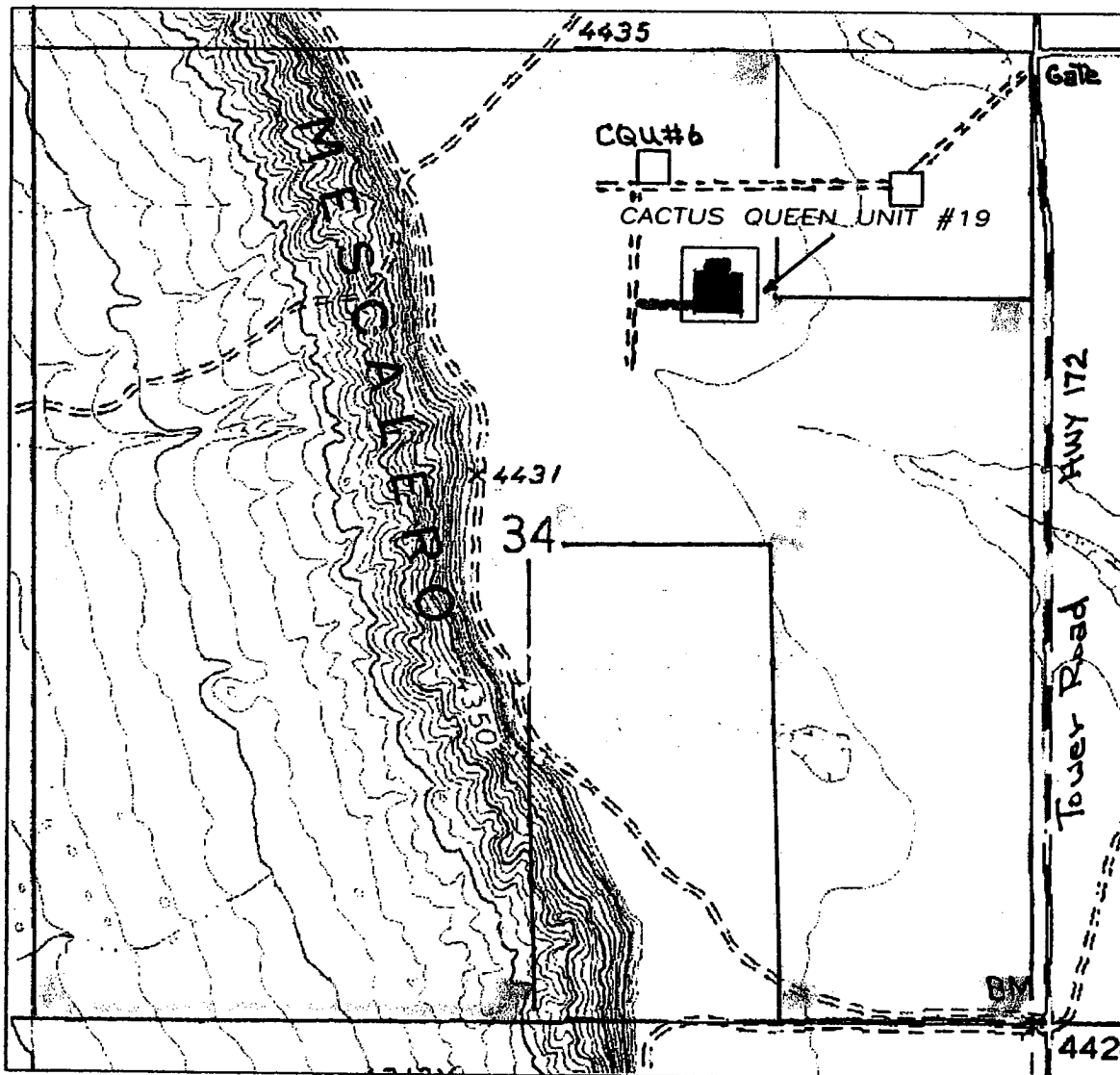
LEASE NO: NM-15896

WELL NAME & NO.: Cactus Queen Unit #19

LOCATION: Section 34 T. 12 S., R. 31 E., N.M.P.M.

QUARTER/QUARTER & FOOTAGE: NW¼NE¼ - 1270' FNL & 1650' FEL

COUNTY: Chaves County, New Mexico



2-2

District I
1625 N. French Dr., Hobbs, NM 88240
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1301 W. Grand Avenue, Artesia, NM 88210
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1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy Minerals and Natural Resources

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

Form C-144
March 12, 2004

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

105 South Fourth Street, Artesia, NM 88210

Pit or Below-Grade Tank Registration or Closure

Is pit or below-grade tank covered by a "general plan"? Yes ☒ CheckBox1

Type of action: Registration of a pit or below-grade tank ☒ Closure of a pit or below-grade tank ☐

Operator: Yates Drilling Company Telephone: 505-748-4376 e-mail address: debbiec@ypcnm.com
Address: 104 South 4th Street, Artesia, New Mexico 88210
Facility or well name: Cactus Queen Unit #19 API #: 30-005-2188 or Qtr/Qtr NWNE Sec 34 T 12S R 31E
County: Chaves Latitude _____ Longitude _____ NAD: 1927 ☐ 1983 ☐ Surface Owner: Federal ☐ State ☐ Private ☒ Indian ☐

Use: Drilling <input checked="" type="checkbox"/> Production <input type="checkbox"/> Disposal <input type="checkbox"/> Workover <input type="checkbox"/> Emergency <input type="checkbox"/> Lined <input checked="" type="checkbox"/> Unlined <input type="checkbox"/> Lining type: Synthetic <input checked="" type="checkbox"/> Thickness <u>12</u> mil Clay <input type="checkbox"/> Volume _____ bbl	Below-grade tank Volume: _____ bbl Type of fluid: _____ Construction material: _____ Double-walled, with leak detection? Yes <input type="checkbox"/> 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)	RECEIVED OCT 20 2004 ODEAHISIA
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)		20

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 ☐.

Printed Name/Title: Robert Asher/Regulatory Agent

Signature: [Signature]

Our 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: OCT 21 2004

Printed Name/Title: [Signature]

Signature: [Signature]

As a condition of approval
detailed closure plan
must be filed before
closure may commence.

As a condition of approval if during construction water is encountered or if water seeps in pits after construction, the **OCD MUST BE CONTACTED IMMEDIATELY!**