

OPER. OGRID NO. 25575
PROPERTY NO. 12133
POOL CODE ✓
EFF. DATE 11/19/04
API NO. 30-025-31926

Print I

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

L
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of Work: <input checked="" type="checkbox"/> DRILL <input checked="" type="checkbox"/> REENTER		5. Lease Serial No. NM-86148
b. Type of Well: <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other <input type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		6. If Indian, Allottee or Tribe Name
2. Name of Operator Yates Petroleum Corporation		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. Cleary AKC Federal #2
3b. Phone No. (include area code) (505) 748-1471		9. API Well No. 30-025-31926
4. Location of Well (Report location clearly and in accordance with any State requirements. *) At surface 330' FNL AND 330' FWL, NWNW, 17-22S-32E At proposed prod. Zone same as above Unit D		10. Field and Pool, or Exploratory Wildcat
14. Distance in miles and direction from nearest town or post office* Approximately 38 miles west & north of Jal, New Mexico		11. Sec., T., R., M., or Blk, and Survey or Area Section 17 36-T22S-R32E
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 640	12. County or Parish Lea
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 1300'	19. Proposed Depth 8740'	13. State NM
20. BLM/BIA Bond No. on file Nationwide Bond #NM-2811	21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3726' GL	22. Approximate date work will start* ASAP
23. Estimated duration 30 days	24. Attachments CARLSBAD CONTROLLED WATER BASIN	

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 <i>Clifton R. May</i>	Name (Printed/Typed) Clifton R. May	Date 9/1/04
Title: Regulatory Agent		
Approved by (Signature) <i>/s/ Joe G. Lara</i>	Name (Printed/Typed) /s/ Joe G. Lara	Date 15 NOV 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.

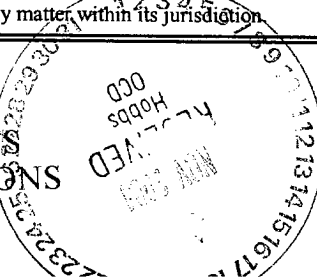
Conditions of approval, if any, are attached.

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



KZ

YATES PETROLEUM CORPORATION

Cleary AKC Federal #2 Re-entry

330' FNL & 330' FWL

Section 17-T22S-R32E

Lea County, New Mexico

Lease #NM-86148

Drilling Plans: Yates Petroleum Corporation plans to re-enter this well bore that was originally drilled and plugged and abandoned by Yates in 1993. Yates will use a pulling unit and a reverse unit to drill out the cement plugs in the 8 5/8" casing which was set at 4528' and cemented with 1800 sacks. The plugs in the 7 7/8" open hole will be drilled out to the original TD of 8740'. After running CMR logs to augment the existing open hole logs, a full string of 5 1/2" casing will be run to TD and cemented to approximately 4000' with 725 sacks of cement. The mud program will be 9.2 to 9.5 ppg brine water with viscosity of 55-70 cp.

The well will be completed using a pulling unit in the Bone Spring and/or Delaware intervals indicated by the open hole logs, mud log and the CMP log.

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

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised 1-1-89

OIL CONSERVATION DIVISION

P.O. Box 2088

Santa Fe, New Mexico 87504-2088

DISTRICT I

P.O. Box 1980, Hobbs, NM 88240

DISTRICT II

P.O. Drawer DD, Artesia, NM 88210

DISTRICT III

1000 Rio Brazos Rd., Aztec, NM 87410

WELL LOCATION AND ACREAGE DEDICATION PLAT

All Distances must be from the outer boundaries of the section

Operator YATES PETROLEUM CORPORATION			Lease CLEARY "AKC" FEDERAL		Well No. 2
Unit Letter D	Section 17	Township 22 SOUTH	Range 32 EAST	County LEA	
Actual Footage Location of Well: 330 feet from the NORTH line and 330 feet from the WEST line					
Ground level Elev. 3726	Producing Formation BONE SPRING		Pool BONE SPRING	Dedicated Acreage: 40 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 interest of all owners been consolidated by communitization, unitization, force-pooling, etc.?

☐ Yes

☐ No

If answer is "yes" type of consolidation

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 interest, has been approved by the Division.

330' 330'			
NM-86148			

OPERATOR CERTIFICATION

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

Signature *Clifton R. May*

Printed Name CLIFTON R. MAY

Position REGULATORY AGENT

Company YATES PETROLEUM CORP.

Date 9/1/04

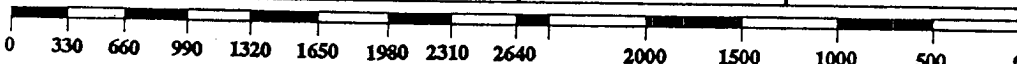
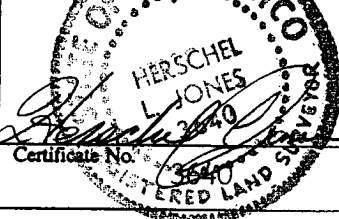
SURVEYOR CERTIFICATION

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 knowledge and belief.

Date Surveyed

2/02/05

Signature Professional Surveyor



YATES PETROLEUM CORPORATION
Cleary AKC Federal #2 Re-entry
 130' FNL and 330' FwL
 Section 17-T22S-R32E
 Lea County, New Mexico

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

Rustler	870'
Bottom of Salt	4440'
Bell Canyon	4685'
Cherry Canyon	5675'
Brushy Draw	7450'
Bone Spring	8600'
TD	8740'

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

Water: 250'
 Oil or Gas: 7450' & 8600'.

3. Pressure Control Equipment: BOPE will be installed on the 8 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.

4. THE PROPOSED CASING AND CEMENTING PROGRAM:

A. Casing Program:

<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"	54.5#	J-55	ST&C	0-862'	In Place
11"	8 5/8"	32#	J-55	ST&C	0-4200"	In Place
11"	8 5/8"	32#	HC-80	LT&C	4200-4550'	In Place
7 7/8"	5 1/2"	17#	J-55	LT&C	0-1500'	1500'
7 7/8"	5 1/2"	15.5#	J-55	LT&C	1500-6700'	5200'
7 7/8"	5 1/2"	17#	J-55	LT&C	6700-8740'	2040'

1. Minimum Casing Design Factors: Collapse 1.125, Burst 1.0, and Tensile Strength 1.8
2. A 3,000 psi BOP will be nipped up on the 8 5/8" casing and tested to 3000 psi .

B. CEMENTING PROGRAM:

Surface Casing: (In Place) Cement with 550 sx PSI "C" + 2% CaCl₂ (YLD 1.76 WT 12.5). Tail in with 250 sx class "C" + 2% CaCl₂ (YLD 1.32 WT 14.8).

Intermediate Casing: (In Place) 1600 sx PSL "C" + 1/4#/sx Celloseal + 10#/sx Salt (YLD 1.98 WT 14.8) and tail in with 200 sx class "C" + 2% CaCl₂ (YLD 1.32 WT 14.8)

Production Casing: Cement with 725 sx with the TOC 4000'

5. MUD PROGRAM AND AUXILIARY EQUIPMENT:

The mud program will be 9.2 to 9.5 ppg brine water with viscosity of 55-70 cp

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:

Will run the CMR logs to augment the existing open hole logs.

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

Abnormal Pressures Anticipated: None

Lost Circulation Zones Anticipated: None.

H2S Zones Anticipated: None Anticipated

Maximum Bottom Hole Temperature: 140 F

8. ANTICIPATED STARTING DATE:

Plans are to re-enter this well as soon as possible after receiving approval. It should take approximately 15 days to drill the well with completion taking another 20 days.

MULTI-POINT SURFACE USE AND OPERATIONS PLAN
YATES PETROLEUM CORPORATION
Cleary AKC Federal #2 Re-entry
330' FNL & 330' FWL
Section 17-T22S-R32E
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 38 miles west and north of Jal, New Mexico and the access route to the location is indicated in red and green on Exhibit A.

DIRECTIONS: Go southeast out of Carlsbad, NM on Highway 285 to State Road 31. Go east on 31 to State Road 128 (Jal Hwy). Take 128 for approximately 16 miles to Red Road. Turn North and go approximately 7 miles (Mills Road will be on the left). Take the right on caliche road and go approximately 3.8 miles. Turn left and go 0.4 of a mile to the Cleary #1 well. Just past it, turn left and follow lease road approximately 1 mile. Turn left and go approximately 0.1 of a mile to the southeast corner of the pad.

2. PLANNED ACCESS ROAD:

- A. The proposed new access will be approximately 500' in length from the point of origin to the southeast 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.

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 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 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 be responsible for finding a source of material for construction of road and pad and will obtain any permits that may be required. No materials should be needed as this is a re-entry.

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, pulling unit orientation and access road approach. Note: Pits to North.
- B. The reserve pits will be plastic lined with 12 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.
- D. 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.

Cleary AKC Federal #2
Page Three

11. SURFACE OWNERSHIP:

Federal Lands under the supervision of the BLM. Surface leased to Mills Family Partnership.

12. OTHER INFORMATION:

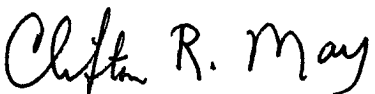
- A. Topography: Refer to the existing archaeological report number 93-NMAS-22-F done on 2/22/93 for a description of the topography, flora, fauna, soil characteristics, dwellings, and historical and cultural sites.
- B. The primary surface use is for grazing.

13. OPERATOR'S REPRESENTATIVE:

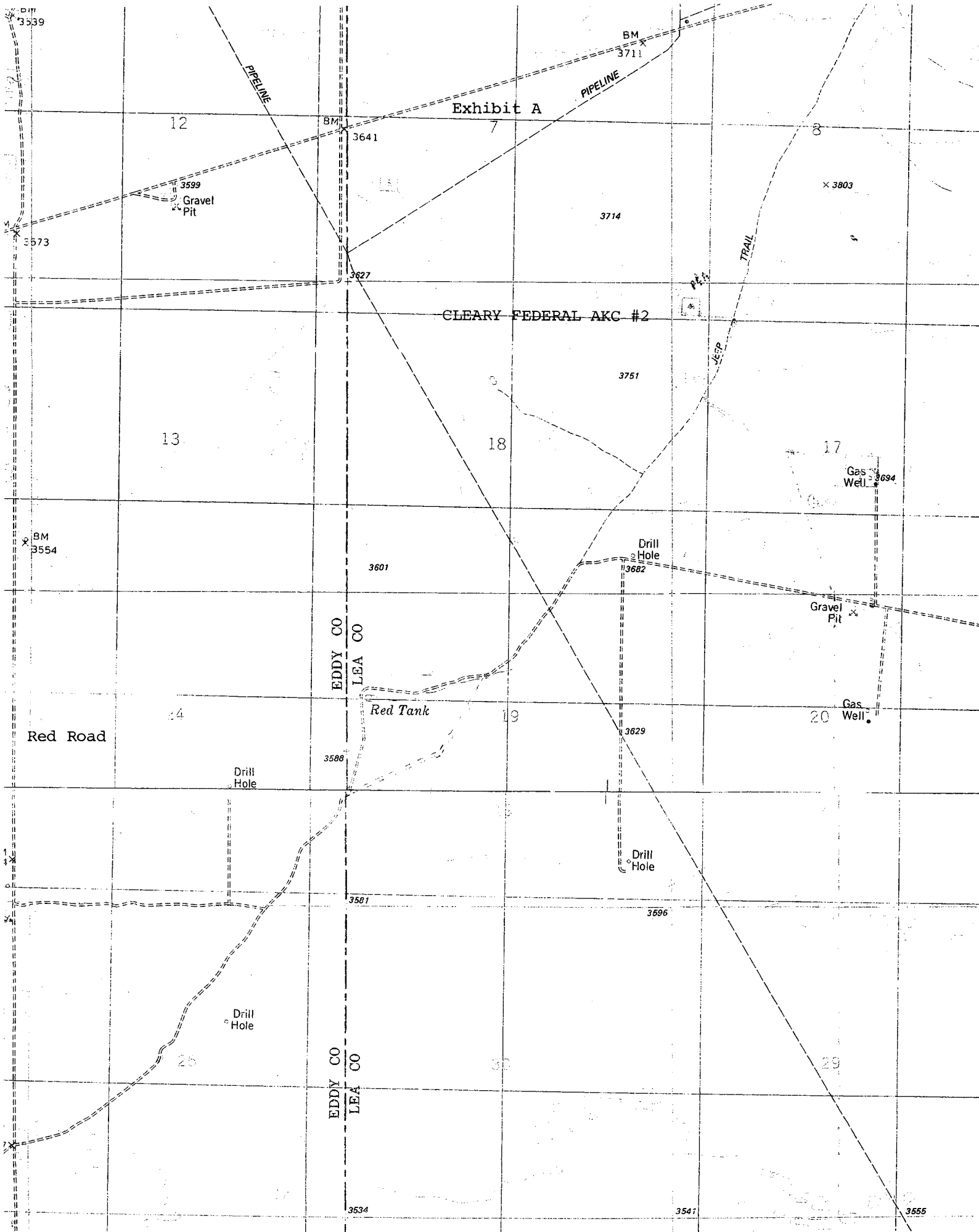
- | | |
|--|---|
| A. Through A.P.D. Approval:
Clifton R. May, Regulatory Agent
Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210
Phone (505) 748-1471 | B. Through Drilling, Completions & Prod.
Pinson McWhorter, Operations Manager
Yates Petroleum Corporation
105 South Fourth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



3539

BM
3711

Exhibit A

12

BM
3641

8

3599
Gravel Pit

3714

x 3803

3573

3627

CLEARY FEDERAL AKC #2

3751

13

18

17

Gas Well
3694

BM
3554

3601

Drill Hole
3682

Gravel Pit
x

EDDY CO
LEA CO

Red Road

24

Red Tank

19

20

Gas Well
x

Drill Hole

3588

3629

Drill Hole

3581

3596

Drill Hole

25

EDDY CO
LEA CO

30

29

3534

3541

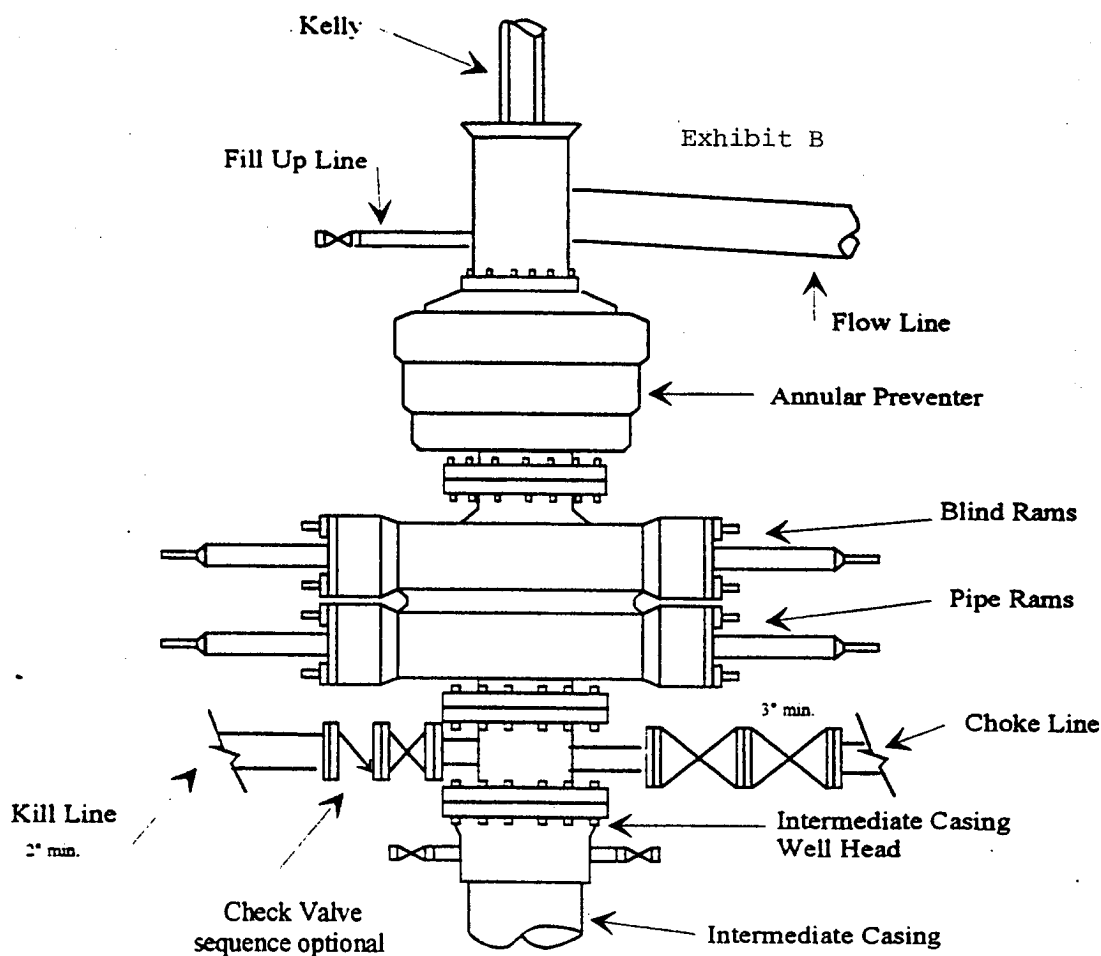
3555



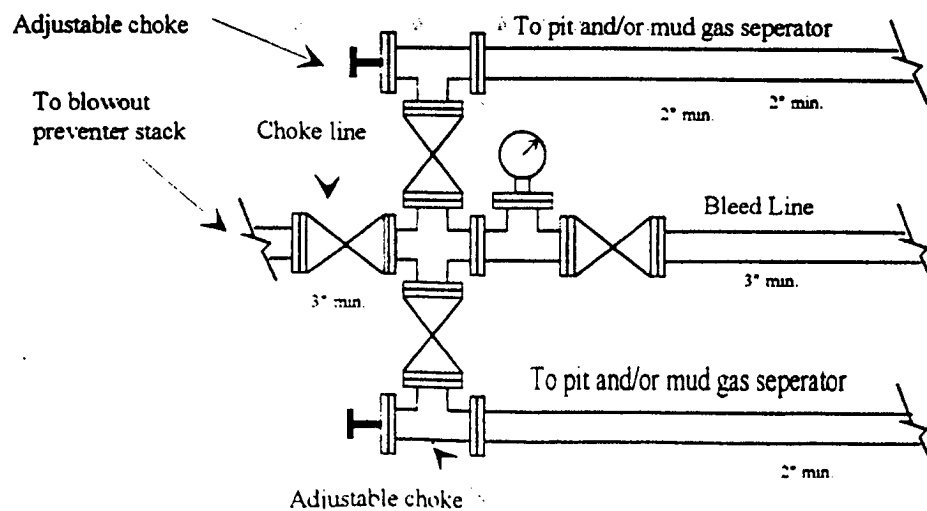
Yates Petroleum Corporation

BOP-3

Typical 3,000 psi Pressure System Schematic Annular with Double Ram Preventer Stack

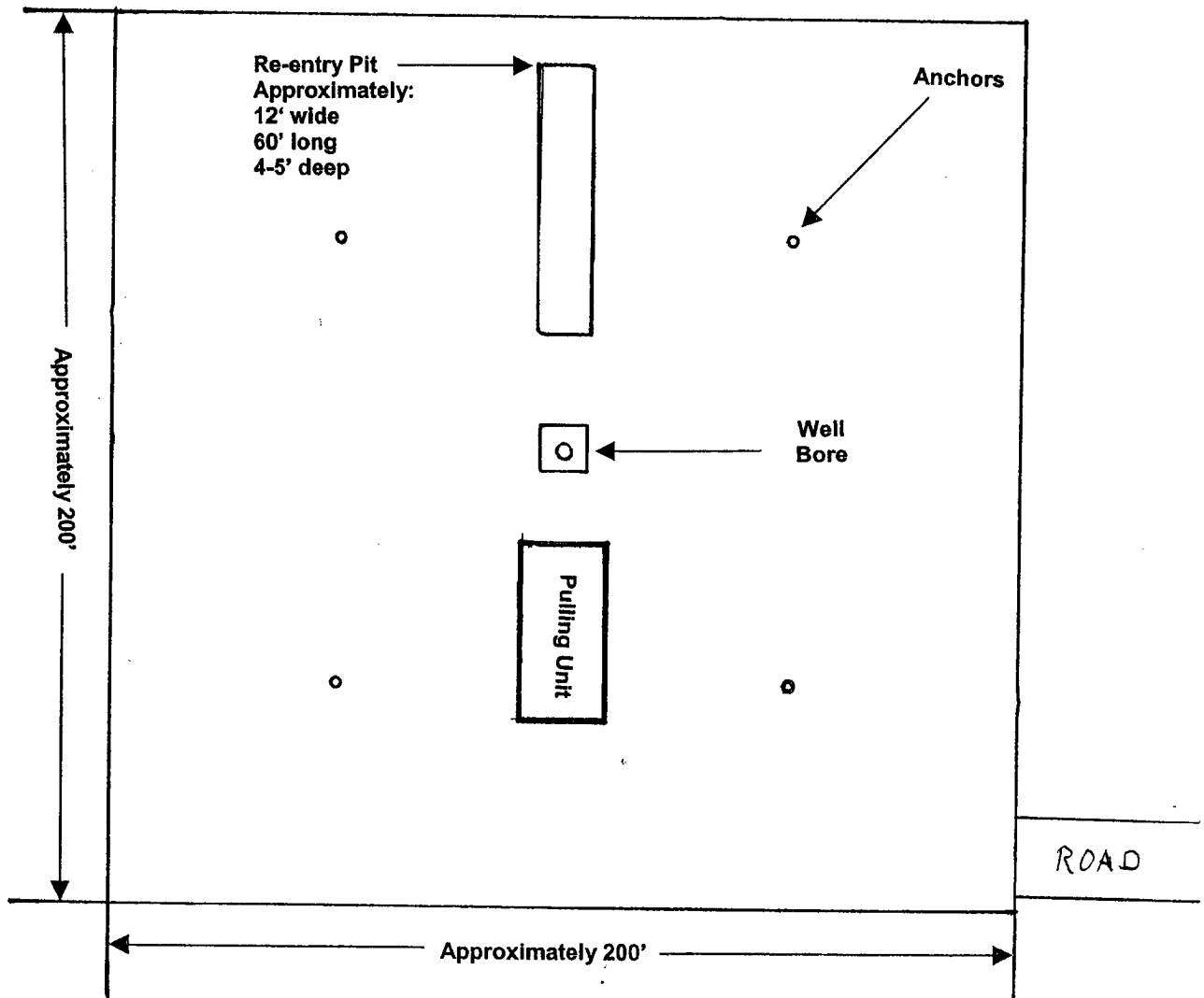
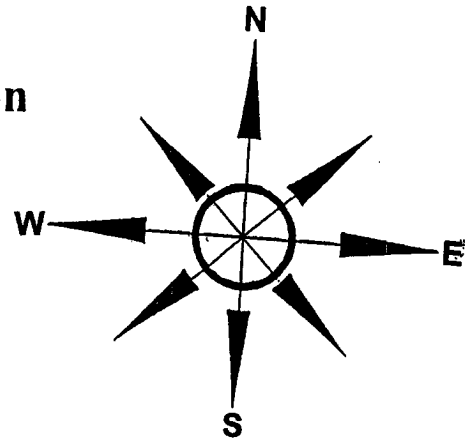


Typical 3,000 psi choke manifold assembly with at least these minimum features



Yates Petroleum Corporation

Exhibit C



EOG Res. Amin Oil 2515 HBP U.S.	EOG Res. Amin Oil HBP 0202296 to 15021	Amin EOG R HBP 02022 U.S.
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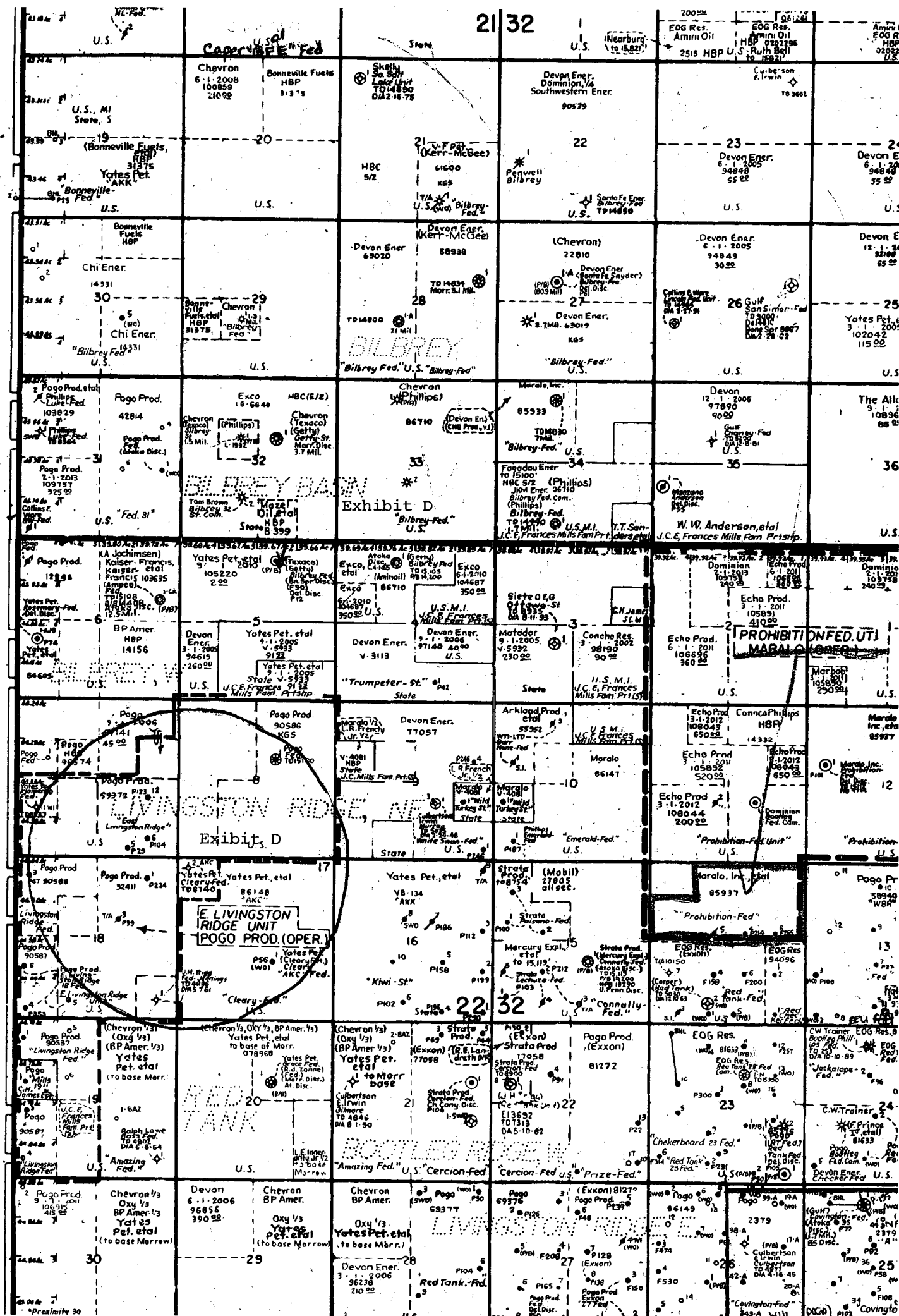


Exhibit E

Well Name: Cleary AKC Federal No. 2 Field: _____

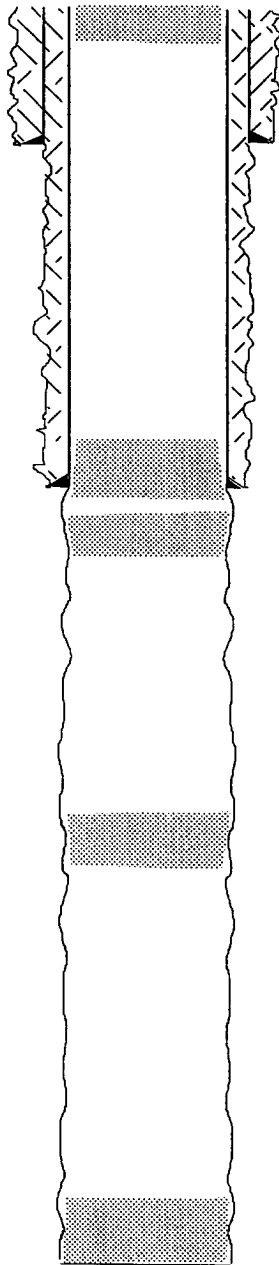
Location: 330' FNL & 330' FWL Sec. 17-22S-32E Lea Co, NM

GL: 3718' Zero: _____ AGL: _____ KB: _____

Spud Date: _____ Completion Date: _____

Comments: Well drilled and abandoned by YPC in 1993.

Casing Program	
Size/Wt/Grade/Conn	Depth Set
13 3/8" 54.5#	862'
8 5/8" 32#	4528'



10 sx plug @ surface.

13 3/8" csg @ 862'. Cmt'd w/ 800 sx. Cmt circ.

26 sx cement plug 4478-4578'

8 5/8" csg @ 4528'. Cmt'd w/ 1800 sx. Cmt circ.

27 sx cement plug 4656-4756'

26 sx cement plug 5644-5744'

60 sx cement plug 8524-8740'

TD 8740'

CURRENT CONFIGURATION

SKETCH NOT TO SCALE

DATE: 8/30/04

Exhibit F

Well Name: Cleary AKC Federal No. 2 Field: _____

Location: 330' FNL & 330' FWL Sec. 17-22S-32E Lea Co, NM

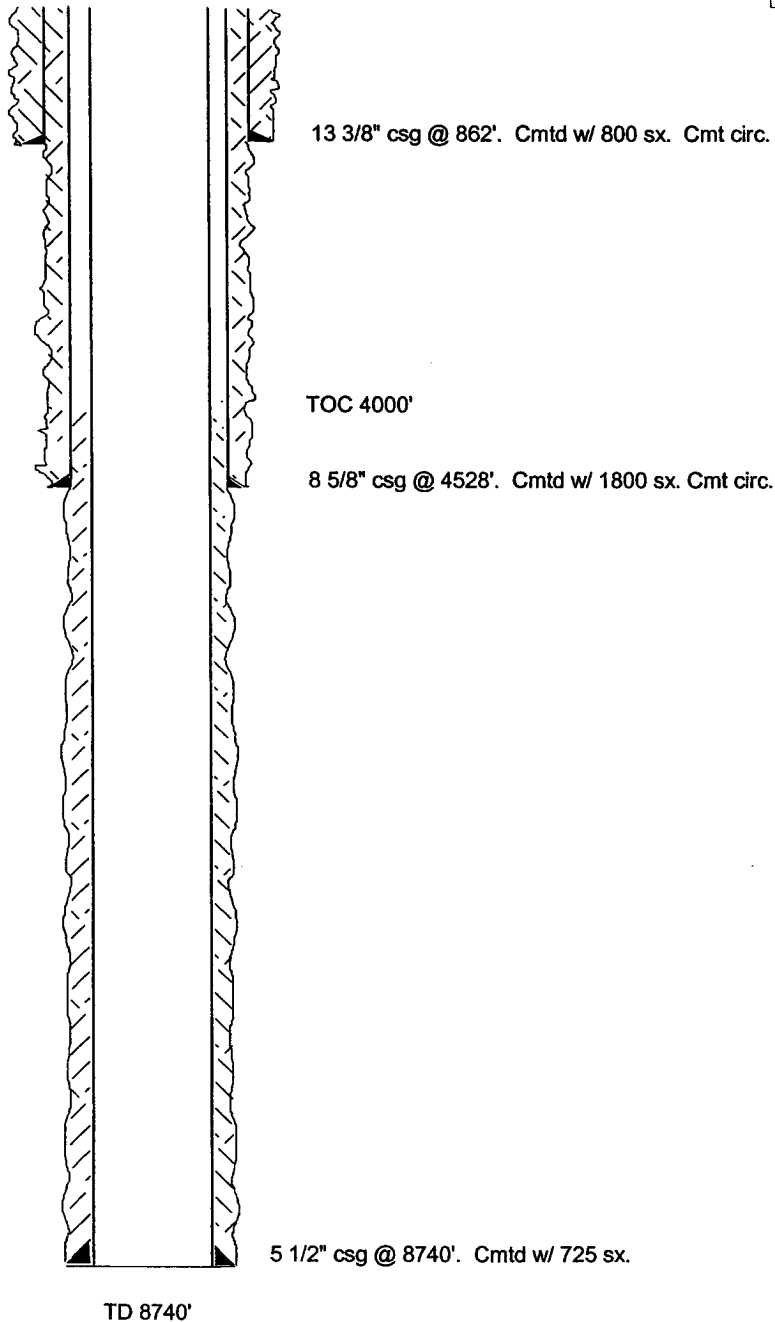
GL: 3718' Zero: _____ AGL: _____ KB: _____

Spud Date: _____ Completion Date: _____

Comments: Well drilled and abandoned by YPC in 1993.

Casing Program	
Size/Wt/Grade/Conn	Depth Set
13 3/8" 54.5#	862'
8 5/8" 32#	4528'
5 1/2" 15.5 & 17# J55	8740'

PROPOSED CONFIGURATION



SKETCH NOT TO SCALE

DATE: 8/30/04

PROPERTY NO. _____

POOL CODE _____

EFF. DATE _____

API NO. _____

Form C-144
March 12, 2004

strict I
15 N. French Dr., Hobbs, NM 88240
strict II
11 W. Grand Avenue, Artesia, NM 88210
strict III
00 Rio Brazos Road, Aztec, NM 87410
strict IV
20 S. St. Francis Dr., Santa Fe, NM 87505

1220 South _____
Santa Fe, NM 87505

OFFICE _____

production facilities, submit to
SD District Office.
facilities, submit to Santa Fe

Pit or Below-Grade Tank Registration or ClosureIs 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: dcbbjac@ypemco.com
address: 105 South 4th Street, Artesia, NM 88210

utility or well name: Cleary AKC Federal #2 API #: 30-025-31926 U/L or Qtr/Qtr D Sec 17 T 22S R 32E

county: Lea Latitude 32.3979 Longitude 103.7043 NAD: 1927 ☒ 1983 ☐ Surface Owner - Federal ☐ State ☒ Private ☐ Indian ☐

Type: Drilling ☐ Production ☐ Disposal ☐Workover ☒ Emergency ☐lined ☒ Unlined ☐liner type: Synthetic ☒ Thickness 12 milcapacity ☐ Volume 640 bbl

depth to ground water (vertical distance from bottom of pit to seasonal high
water elevation of ground water.)

Below-grade tank

Volume: _____ bbl Type of fluid: _____

Construction material: _____

Double-walled, with leak detection? Yes ☐ If not, explain why not. _____

Wellhead protection area: (Less than 200 feet from a private domestic
water source, or less than 1000 feet from all other water sources.)

Less than 50 feet

50 feet or more, but less than 100 feet

100 feet or more

(20 points)

(10 points)

(0 points)

Yes

No

(20 points)

(0 points)

Distance to surface water: (horizontal distance to all wetlands, playas,
irrigation canals, ditches, and perennial and ephemeral watercourses.)

Less than 200 feet

200 feet or more, but less than 1000 feet

100 feet or more

(20 points)

(10 points)

(0 points)

Ranking Score (Total Points)

(0 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.

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: August 12, 2004Printed Name/Title Clifton R. May/Regulatory Agent 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: 4/19/04

Printed Name/Title _____

Signature _____

ORIGINAL SIGNED BY

PAUL F. KAUTZ

PETROLEUM ENGINEER

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

The reserve pit will be to the north. The pit will be approximately 60' from the well bore. The pit will be approximately 12' x 60' and 6' deep with a capacity of 640 bbls.

Built with Dozier
1/8" wide
60' Long
4' to 6' Deep

