

OPER. OGRID NO. 25575
PROPERTY NO. 12133
POOL CODE 39366
EFF. DATE 11/19/04
API NO. 30-025-36961

OMB No. 1004-0136
Expires November 30, 2000

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-86148
b. Type of Well: <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other <input checked="" 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	3b. Phone No. (include area code) (505) 748-1471	8. Lease Name and Well No. Cleary AKC Federal #4
4. Location of Well (Report location clearly and in accordance with any State requirements. *) At surface 1650' FNL AND 330' FWL, SWNW, 17-22S-32E At proposed prod. Zone same as above Unit E		9. API Well No. 30-025-36961
14. Distance in miles and direction from nearest town or post office* Approximately 38 miles west & north of Jal, New Mexico		10. Field and Pool, or Exploratory Wildcat
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	11. Sec., T., R., M., or Blk. and Survey or Area Section 17-T22S-R32E
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 1320'	19. Proposed Depth 8900'	12. County or Parish Lea
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3751' GL	22. Approximate date work will start* ASAP	13. State NM
20. BLM/BIA Bond No. on file Nationwide Bond #NM-2811		17. Spacing Unit dedicated to this well 40
23. Estimated duration 30 days		

24. Attachments CARLSBAD CONTROLLED WATER WELL

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 Clifton R. May	Name (Printed/Typed) Clifton R. May	Date 9/9/04
Title: Regulatory Agent		
Approved by (Signature) /s/ Joe G. Lara	Name (Printed/Typed) /s/ Joe G. Lara	Date 16 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

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

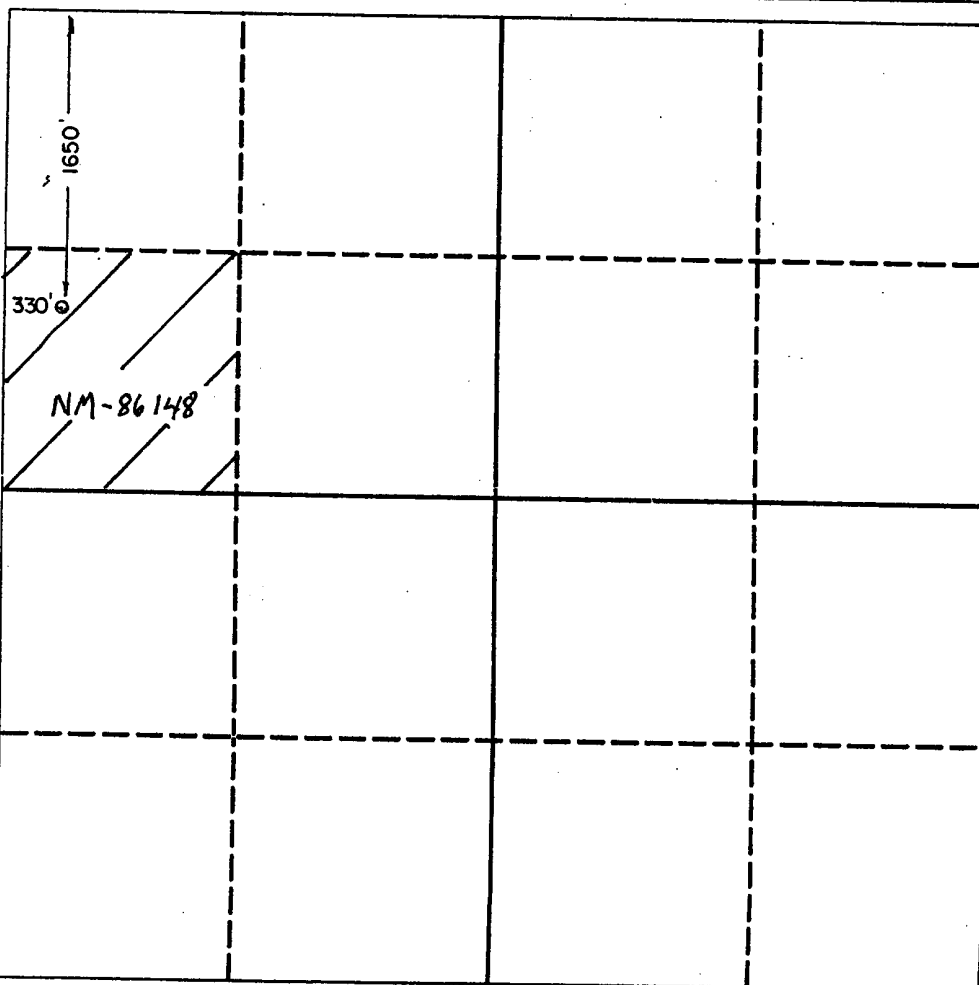
1000 Rio Brazos Rd., Aztec, NM 87410

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. 4
Unit Letter E	Section 17	Township 22 SOUTH	Range 32 EAST	County NMPM I.E.A	
Actual Footage Location of Well: 1650 feet from the NORTH line and 330 feet from the WEST line					
Ground level Elev. 3751	Producing Formation DELAWARE		Pool E. LIVINGSTON RIDGE DELAWARE	Dedicated Acreage: 40 Acres	

- Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.
- If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
- 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.



OPERATOR CERTIFICATION

I hereby certify that the information contained herein in 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 CORPORATION
Date
9/9/04

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
2/03/05
Signature & Seal of Professional Surveyor
HERSCHEL L. JONES
3640
Certificate No. **REB-148-2088**

0 330 660 990 1320 1650 1980 2310 2640 2000 1500 1000 500 0

DISTRICT IV
2040 South Pacheco, Santa Fe, NM 87505

STATE OF NEW MEXICO
Energy, Minerals and Natural Resources Department

Revised March 17, 1989
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 30-025-36961	Pool Code 39366	Pool Name E. LIVINGSTON RIDGE DELAWARE
Property Code 12133	Property Name CLEARY "AKC" FEDERAL	Well Number 4
OSRD No. 025575	Operator Name YATES PETROLEUM CORPORATION	Elevation 3751

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
E	17	22S	32E		1650	NORTH	330	WEST	LEA

Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot 14n	Feet from the	North/South line	Feet from the	East/West line	County
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Dedicated Acres 40	Joint or Infill	Consolidation Code	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**

	<p>N.32°23'39.5" W.103°42'15.4" N.507693.2 E.694314.2 (NAD-27)</p>		
<p>3745 3757</p> <p>330°</p> <p>3749 3745</p> <p>NM-86/48</p>			

OPERATOR CERTIFICATION

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

Clifton R. May

Signature CLIFTON R. MAY

Printed Name REGULATORY AGENT

Title 9/9/04

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.

9/03/2004

Date Surveyed

Signature & Seal of Professional Surveyor

Certificate No. _____ Expires RLS 3640

MEDICAL CLERK 4

SUNBELT SURVEYING COMPANY

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

YATES PETROLEUM CORPORATION

Cleary AKC Federal #4

1650' 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	8900'

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

Water: 250' to 500'
Oil or Gas: 7450' & 8600'.

3. Pressure Control Equipment: BOPE will be installed on the 13 3/8" 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. 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.

5. 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	0-900'	900'
11"	8 5/8"	32#	J-55	ST&C	0-4200'	4200'
11"	8 5/8"	32#	HC-80	LT&C	4200-4550'	350'
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	6700-8900'	2200'

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 13 3/8" casing and tested to 3000 psi .

B. CEMENTING PROGRAM:

Surface Casing: 550 sx Pacesetter Lite "C" w/1/4# Cellocel & 3% CaCl₂ (YLD 1.84 WT 12.7). Tail in with 200 sx class "C" + 2% CaCl₂ (YLD 1.84 WT 14.8).

Intermediate Casing: 1150 sx Pacesetter Lite "C" + 1/4#/sx Celloseal + 10#/sx 3% CaCl₂ (YLD 1.84 WT 12.7) and tail in with 250 sx class "C" + 2% CaCl₂ (YLD 1.32 WT 14.8). Cement circulated to surface.

Production Casing: 1 st Stage: 250 sx "H" w/8# sx CSE, +0.6%CF-14+ 5# sx Gilsonite (YLD 1.76 WT 13.6). Cement calculated to 7700' with DV Tool set at approx. 7700'.

Second Stage: 450 sx "C" w/5# Gilsonite, 1/4 # sx Cellocel, + 0.5% CF-14. (YLD2.04 WT 12.4) + 200 sx "H" + 0.5% CF-14 (YLD 1.18 WT 15.6). Cement calculated to tie back to intermediate casing 100'.

6. 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	8.4-8.9	32-36	N/C
900-4550	Brine	10.0	28	N/C
4500-TD	Cut Brine	8.9-9.3	28	<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. Rig personnel will check mud hourly.

7. EVALUATION PROGRAM:

Samples: Every 10' from surface casing to TD

Logging: CNL-FCO from TD to casing with GR-CNL up to surface; DLL from TD to casing

Coring: None anticipated

DST's: Any tests will be based on the recommendations of the well site geologist as Warranted by drilling breaks and shows

8. 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

9. ANTICIPATED STARTING DATE:

Plans are to drill 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 #4
1650' 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 0.65 of a mile. New road will start here and go northeast about 150 feet to the southeast corner of the pad.

2. PLANNED ACCESS ROAD:

- A. The proposed new access will be approximately 150' 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.

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 and Yates' approved pit general plan
- 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 and meet the NMOCD Pit Standards.
- 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 reclaimed according to the Yates' NMOCD approved general plan.

11. SURFACE OWNERSHIP:

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

12. OTHER INFORMATION:

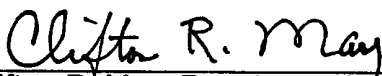
- A. This location was previously submitted and approve by BLM on 4/12/93.
- B. Topography: Refer to the existing archaeological report number 93-NMAS-22-F done on 2/22/93 for a description of the topography, flora, fauna, soil characteristics, dwellings, and historical and cultural sites.
- C. The primary surface use is for grazing.

13. OPERATOR'S REPRESENTATIVE:

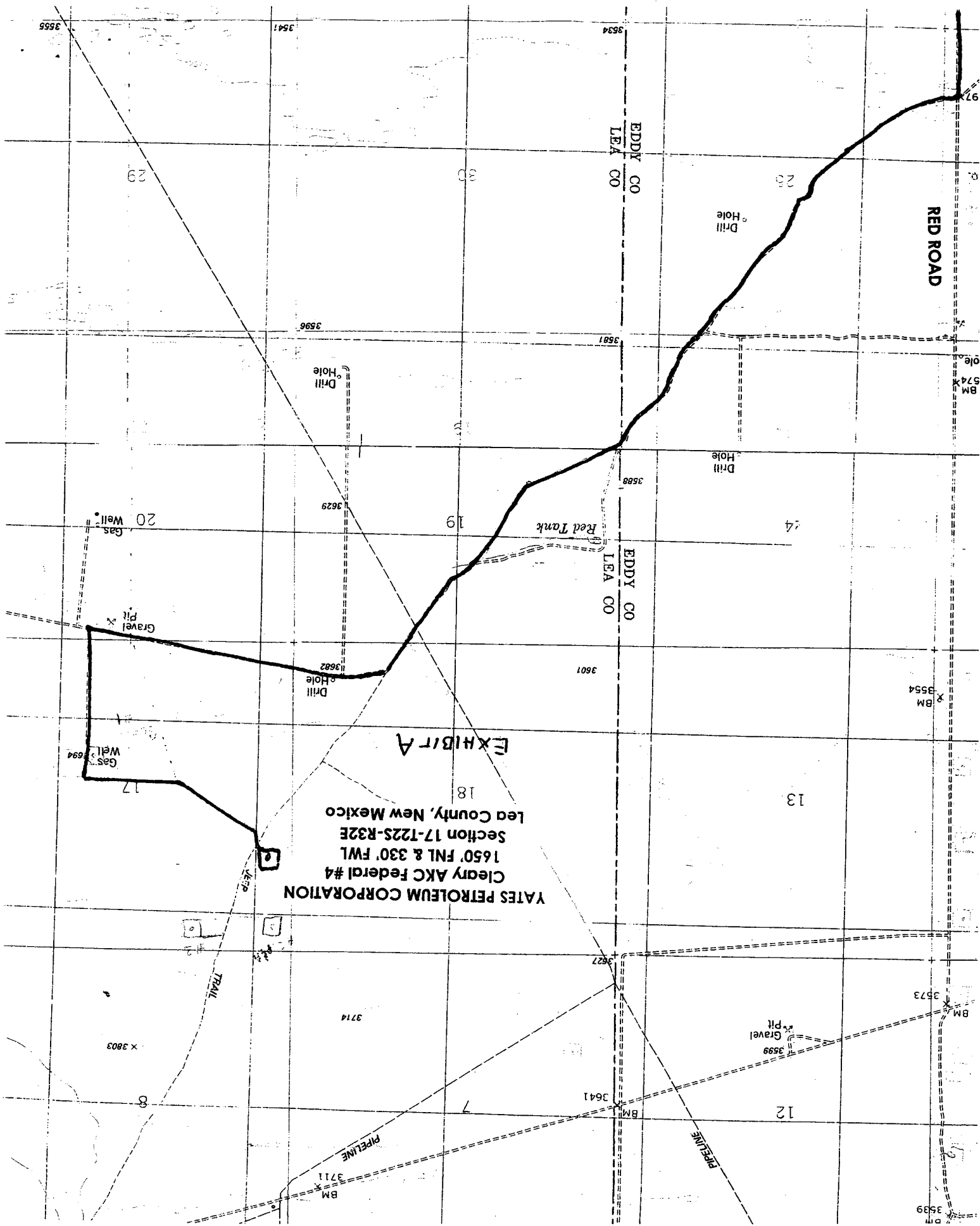
- | | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 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



YATES PETROLEUM CORPORATION
Cleary AKC Federal #4
1650' FNL & 330' FWL
Section 17-1225-R32E
lea County, New Mexico

EXHIBIT A

RED ROAD

Drill Hole

Drill Hole

Red Tank

Drill Hole

Gas Well

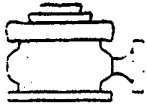
Gravel Pit

Gas Well

Gravel Pit

PIPELINE

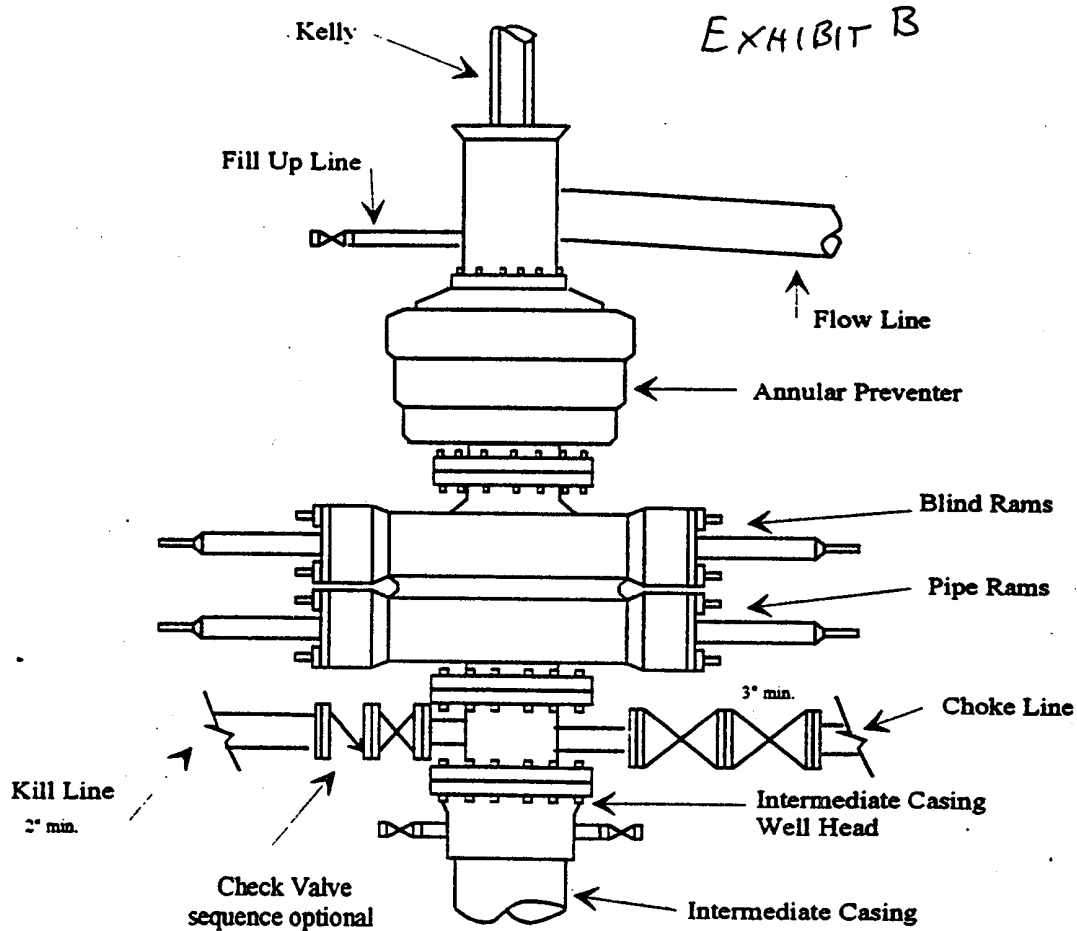
TRAIL



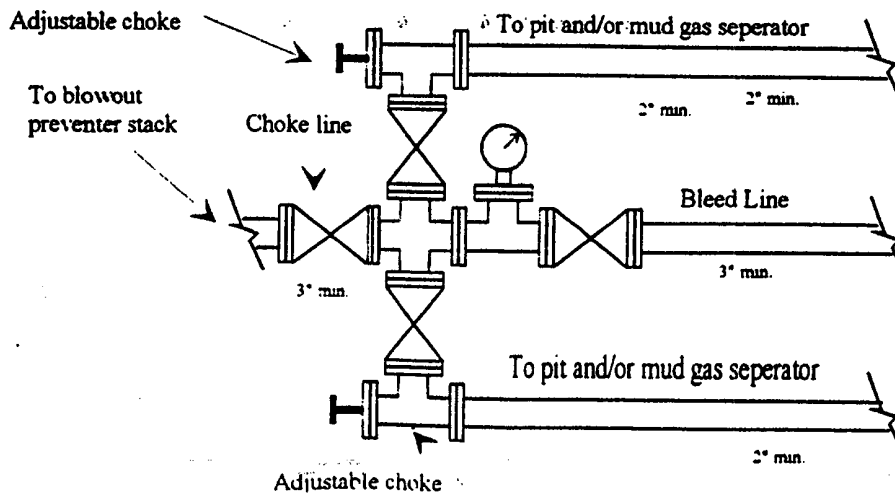
Yates Petroleum Corporation

BOP-3

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



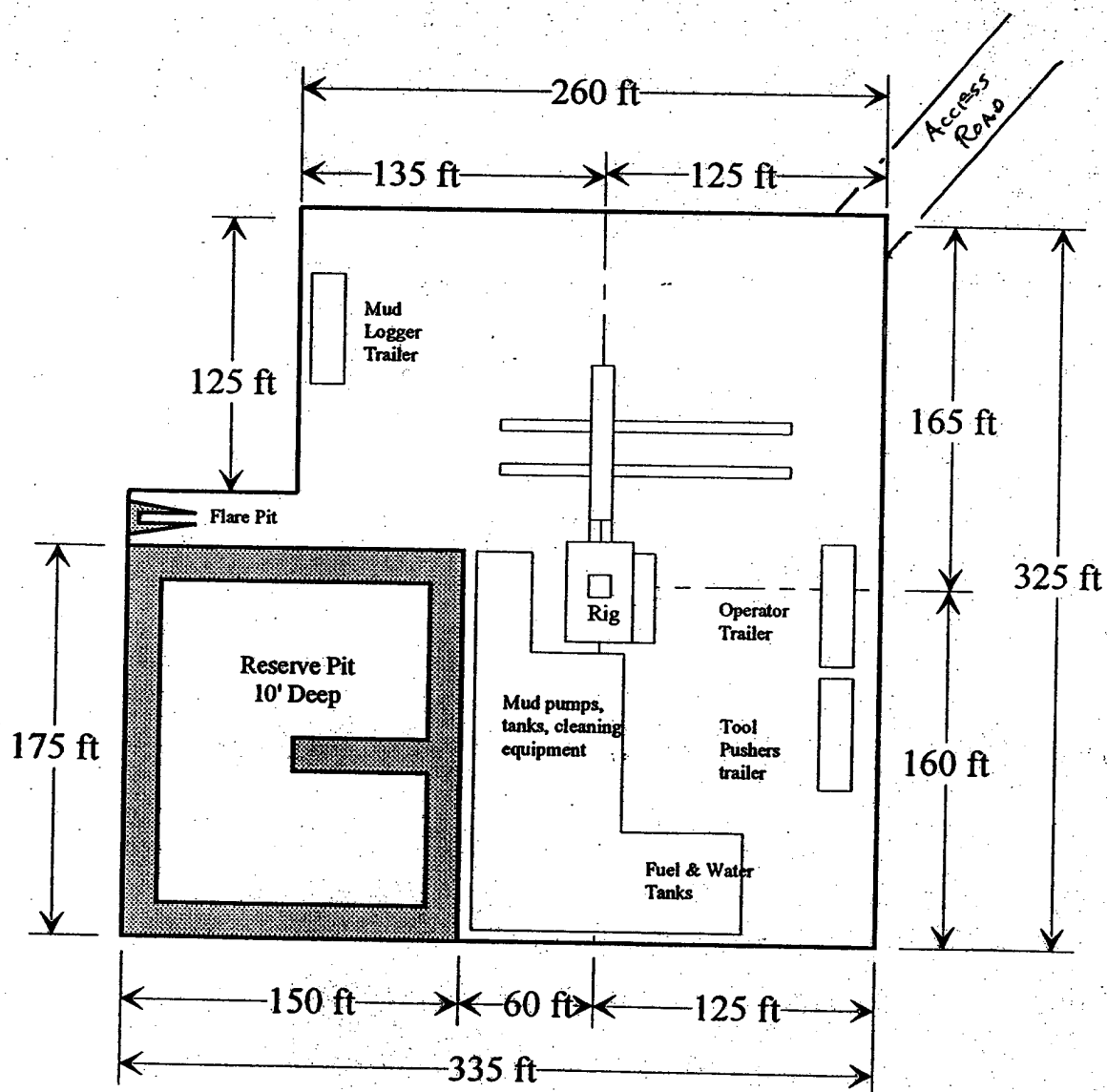
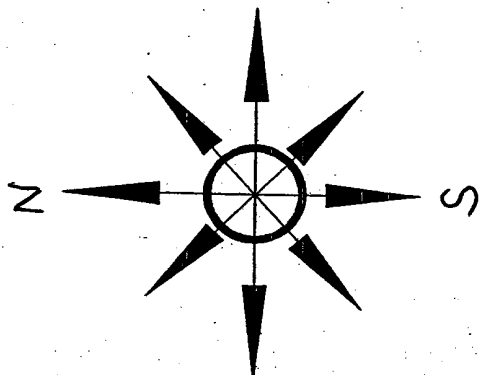
Typical 3,000 psi choke manifold assembly with at least these minimum features



Yates Petroleum Corporation

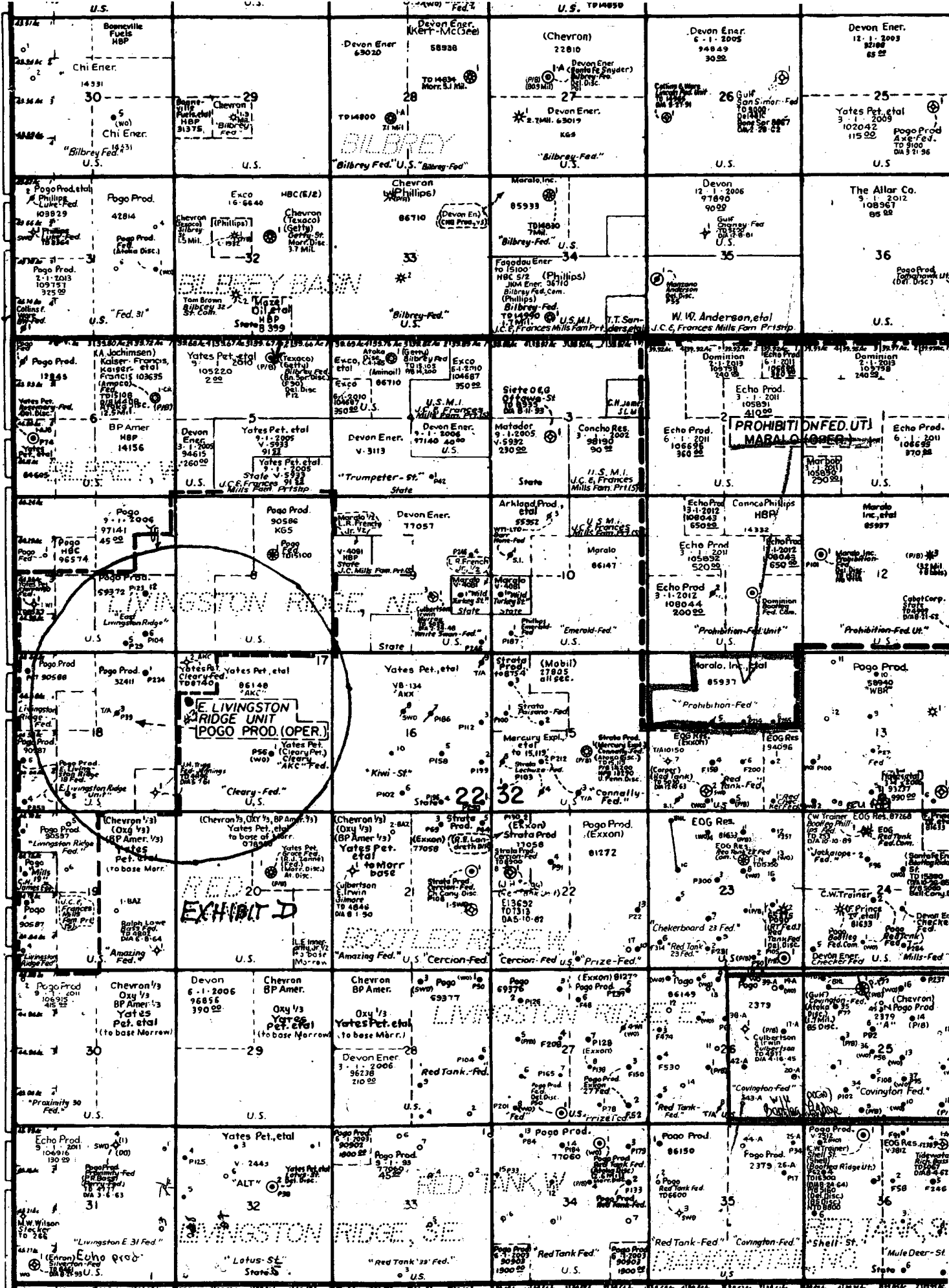
Location Layout for Permian Basin
Up to 12,000'

EXHIBIT C



Distance from Well Head to Reserve Pit will vary between rigs

The above dimension should be a maximum



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

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

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: debbies@yppcnm.com
Address: 105 South 4th Street, Artesia, NM 88210
Facility or well name: Cleary AKC Federal #4 API #: 30-025-36961 U/L or Qtr/Qtr E Sec 17 T 22S R 32E
County: Lea Latitude N32.3943 Longitude W103.7043 NAD: 1927 ☒ 1983 ☐ Surface Owner - Federal ☒ State ☐ Private ☐ Indian ☐

Pit Type: Drilling ☒ Production ☐ Disposal ☐
Workover ☐ Emergency ☐
Lined ☒ Unlined ☐
Liner type: Synthetic ☒ Thickness 12 mil
Clay ☐ Volume 24,000 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)

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.

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: November 19, 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.

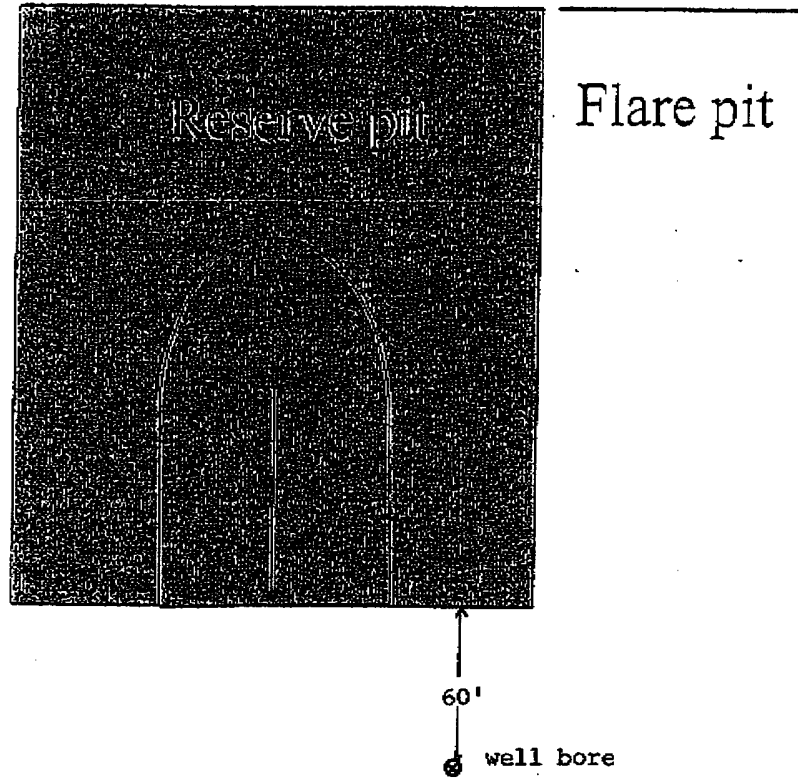
Approval:

Date: 11/22/04 PETROLEUM ENGINEER

Printed Name/Title _____ Signature [Signature]

Cleary AKC Federal #4
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 6' deep with a capacity of 24,000
bbls.



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