

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

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

344

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-77063	
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 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		8. Lease Name and Well No. 1741/ Continental APJ Federal #7	
3b. Phone No. (include area code) (505) 748-1471		9. API Well No. 30-025-37088	
4. Location of Well (Report location clearly and in accordance with any State requirements. *) At surface SWSW 660' FSL and 660 FWL At proposed prod. Zone same as above		10. Field and Pool, or Exploratory Diamondtail 96916 Friste Draw, Delaware, West SW	
14. Distance in miles and direction from nearest town or post office* Approximately thirty-five (35) miles northeast Loving, New Mexico		11. Sec., T., R., M., or Blk. and Survey or Area Section 28, T23S-R32E Mer NMP	
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any)		12. County or Parish Lea	13. State NM
16. No. of Acres in lease		17. Spacing Unit dedicated to this well 40	
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft.		20. BLM/BIA Bond No. on file NM-2811	
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3657' 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:

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

25. Signature <i>Clifton R. May</i>	Name (Printed/Typed) Clifton R. May/Land Department	Date 1/7/05
Title: Regulatory Agent email: debbiec@ypcnm.com		
Approved by (Signature) <i>/s/ Tony J. Herrell</i>	Name (Printed/Typed) /s/ Tony J. Herrell	Date FEB 10 2005
Title 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

C-144 attached

DECLARED WATER BASIN
CEMENT BEHIND THE **1378**
CASING MUST BE **CIRCULATED**

Previously Approved

WITH

DISTRICT I
1000 N. French 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

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 <u>30.025.37088</u>	Pool Code <u>96916</u>	Pool Name <u>Diamondtail Delaware, SW</u>
Property Code <u>17411</u>	Property Name <u>CONTINENTAL "APJ" FEDERAL</u>	Well Number <u>7</u>
OGED No. <u>025575</u>	Operator Name <u>YATES PETROLEUM CORPORATION</u>	Elevation <u>3657</u>

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
<u>M</u>	<u>28</u>	<u>23S</u>	<u>32E</u>		<u>660</u>	<u>SOUTH</u>	<u>660</u>	<u>WEST</u>	<u>LEA</u>

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.
<u>40</u>			

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

				OPERATOR CERTIFICATION I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief. <u>Clifton R. May</u> Signature <u>Clifton R. May</u> Printed Name <u>Regulatory Agent</u> Title <u>12-16-02</u> 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. <u>12/09/2002</u> Date Surveyed <u>Herndon Jones</u> Signature Professional Surveyor NEW MEXICO REGISTRATION NO. 3640 Certificate No. Herndon Jones RLS 3640 PROFESSIONAL SURVEYING COMPANY
<div><p>N. 32° 16' 12.4" W. 103° 41' 09.7"</p><p>3851 3852</p><p>660'</p><p>3854 3853</p><p>NM 77063</p></div>				

YATES PETROLEUM CORPORATION

Continental "APJ" Federal #7

660' FSL and 660' FWL

Section 28-T23S-R32E

Lea County, New Mexico

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

Rustler	1180'	Cherry Canyon	5770'
Top of Salt	1350'	Brushy Canyon	7060'
Base of Salt	4530'	Bone Spring	8670'
Bell Canyon	4770'	TD	8750'

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

Water: 250'
Oil or Gas: 8670'

1. 3. Pressure Control Equipment: A diverter will be installed on the 13 3/8" casing. 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.

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 1/2"	13 3/8"	48#	H-40	ST&C	0-850'	850'
11"	8 5/8"	32#	J-55	ST&C	0-4650'	4650'
7 7/8"	5 1/2"	17#	J-55	LT&C	0-100'	100'
7 7/8"	5 1/2"	15.5#	J-55	LT&C	100-6800'	6700'
7 7/8"	5 1/2"	17#	J-55	LT&C	6800-8750'	1950'

2. Minimum Casing Design Factors: Collapse 1.125, Burst 1.0, and Tensile Strength 1.8

A. CEMENTING PROGRAM:

Surface Casing: Lead w/250 sx Lite (YLD 1.96 WT 12.5) Tail in w/ 200 sx Class C + 2% CaCl₂ (YLD 1.34 WT 14.8).

Intermediate Casing: Lead w/1150 sx Lite (YLD 2.5 WT 11.9) Tail in w/250 sx C + 2% CaCl₂ (YLD 1.34 WT 14.8).

Production Casing: 1st Stage: Lead w/550 sx Super H (YLD 1.67 WT 13). DV tool @ 4550'. Tail in w/50sx Thixset (YLD 1.4 WT 14.4). TOC Stage 1 approx. 6200'.

2nd Stage: Lead w/350 sx Lite (YLD 2.5 WT 11.9). Tail in w/50 sx Premium (YLD 1.3 WT 14.8). Cement for Stage 2 will be circulated.

5. MUD PROGRAM AND AUXILIARY EQUIPMENT:

<u>Interval</u>	<u>Type</u>	<u>Weight</u>	<u>Viscosity</u>	<u>Fluid Loss</u>
0-850'	FW/Native Mud	8.6-9.2	28-36	N/C
850'-4650'	Brine	10.0-10.2	28	N/C
4650'-7000'	Cut Brine	8.6-9.1	28	N/C
7000'-TD	Cut Brine/Starch	8.6-9.1	28-32	<15

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: Every 10' from 5000' to TD.

Logging: Platform HALS, CMR

Coring: None anticipated

DST's: As warranted.

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

Anticipated BHP:

From: 0	TO: 850'	Anticipated Max. BHP: 400 PSI
From: 850'	TO: 4650'	Anticipated Max. BHP: 2000 PSI
From: 4650'	TO: TD	Anticipated Max. BHP: 4400 PSI

Abnormal Pressures Anticipated: None

Lost Circulation Zones Anticipated: None.

H₂S Zones Anticipated: None.

Maximum Bottom Hole Temperature: 140 F

8. 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
Continental "APJ" Federal #7
660' FSL and 660' FWL
Section 28-T23S-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 35 miles northeast of Loving, New Mexico and the access route to the location is indicated in red and green on Exhibit A.

DIRECTIONS:

Take Hwy 62/180 from intersection of 285-62/180 for approx. 2.2 miles to U.S. Refinery Rd. Take U.S. Refinery Rd. for approx. 12.3 miles to Potash Mines Rd. Turn left and go approx. 2.3 miles to Jal Hwy. (128). Turn right and go approx. 18.3 miles to Paduca Breaks (EL Paso Pipeline). Turn left and go approx. 3.6 miles. Turn left on lease road and go approx. 0.8 of a mile. Turn left (west) and go approx. 0.2 of a mile. New access starts here, go south approx. 0.75 of a mile to the SE corner of the pad.

2. PLANNED ACCESS ROAD:

- A. The proposed new access will be approximately 3960' in length from the point of origin to the southwest corner of the drilling pad. The road will go in a southerly 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. The new road will be bladed with drainage on both sides. One traffic turnout will be built.
- D. The route of the road is visible.

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 productive of gas.

5. LOCATION AND TYPE OF WATER SUPPLY:

- A. It is planned to drill the proposed well with a fresh water system. The water will be obtained from commercial sources, and will be hauled to the location by truck over the existing and proposed roads shown in Exhibit A.

6. SOURCE OF CONSTRUCTION MATERIALS:

It will be the responsibility of the dirt contractor to locate a pit of his choice. A probable source could be a state pit in the SE/4SW/4 of Sec. 32-T23S-R32E.

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 landfill. Burial on site is not approved.

8. ANCILLARY FACILITIES: None required.

9. WELLSITE LAYOUT:

- A. Exhibit C shows the relative location and dimensions of the well pad, the reserve pits, the location of the drilling equipment, rig orientation and access road approach.
- B. The reserve pits will be plastic lined.
- C. A 400' x 400' area has been staked and flagged.

10. PLANS FOR RESTORATION:

- A. After finishing drilling and/or completion operations, all equipment and other material not needed for further operations will be removed. The location will be cleaned of all trash and junk to leave the 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 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: Federal Surface administered by BLM.

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.

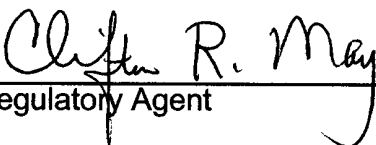
13. OPERATOR'S REPRESENTATIVE:

- | | |
|--|---|
| 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.

01/07/2005


Regulatory Agent

N E S
Gas Well

25

Yates Petroleum Corporation
Continental "APJ" Federal #7
660 FSL and 660 FWL
Section 28 T23S R12E
Lea County, New Mexico
Exhibit "A"

Gas Well

EDDY CO
LEA CO

EDDY CO
LEA CO

Paduca Breaks Rd.

(El Paso Pipeline)

State Road 128

Drill Hole

Drill Hole

Drill Hole

Drill Hole

Jack Tank

New 3

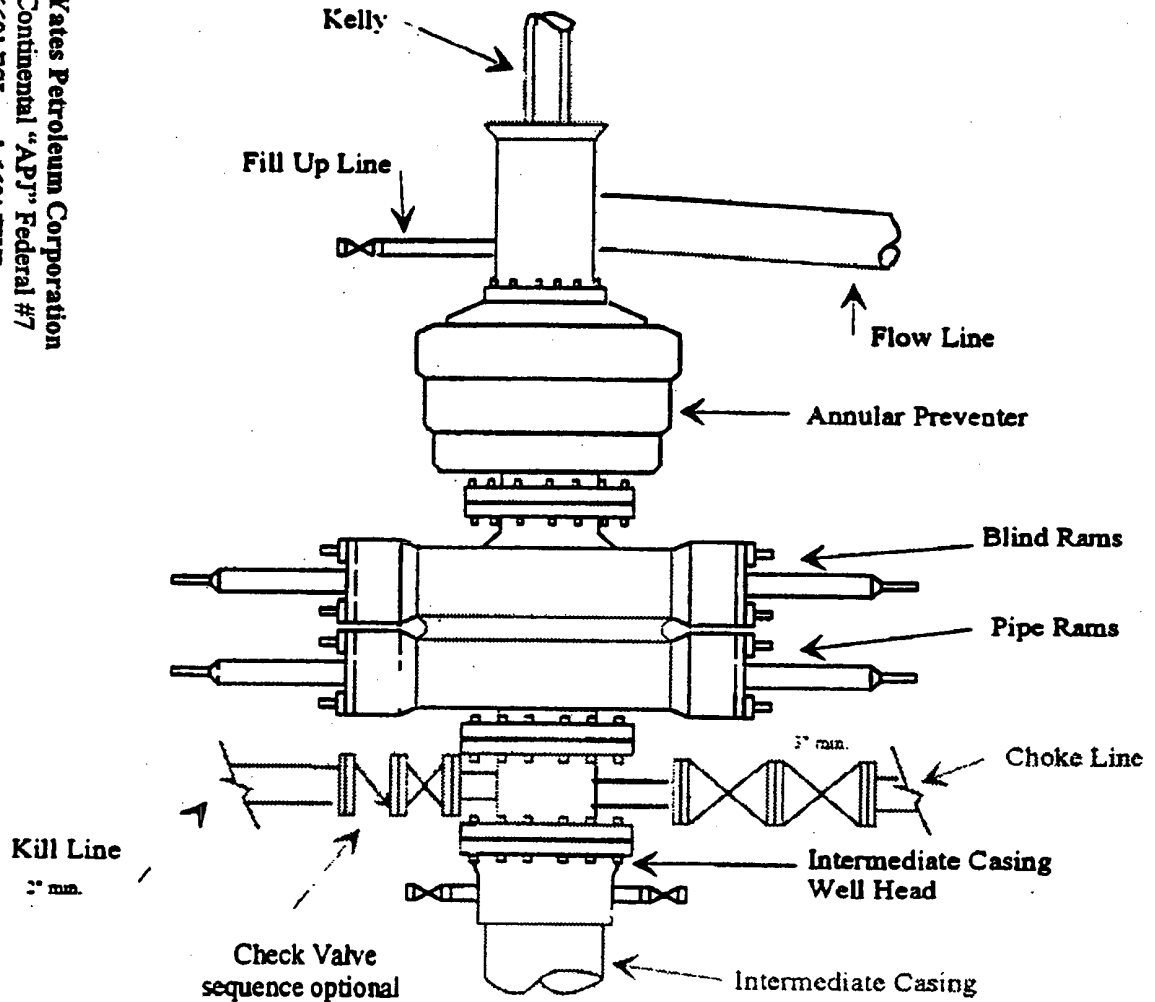


Yates Petroleum Corporation

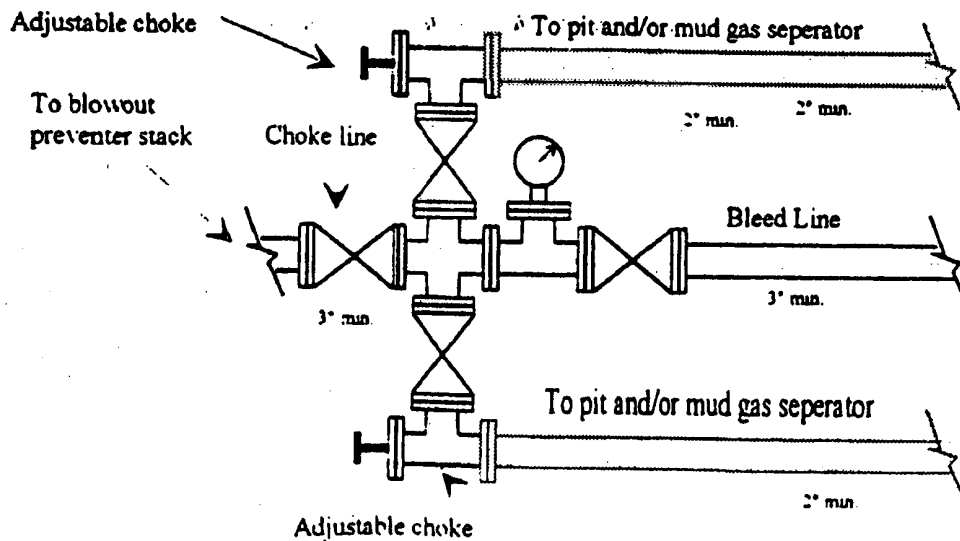
BOF-3

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

Yates Petroleum Corporation
Continental "APJ" Federal #7
660' FSL and 660' FWL
Section 28-T23S-R32E
Lea County, New Mexico
Exhibit "B"



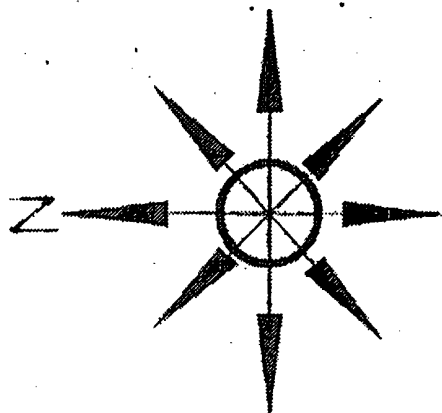
Typical 3,000 psi choke manifold assembly with at least these minimum features



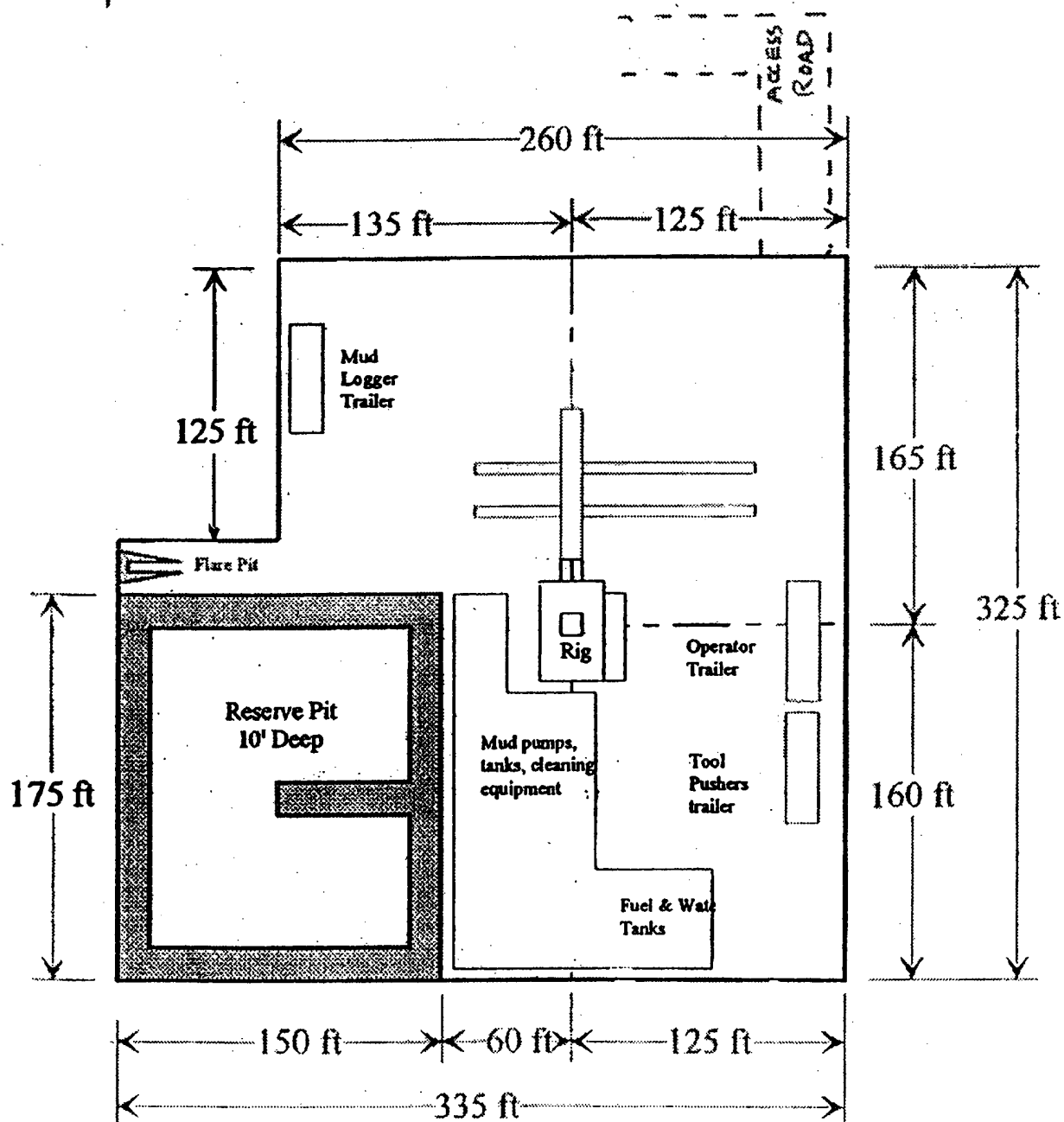
Yates Petroleum Corporation

Location Layout for Permian Basin

Up to 12,000'



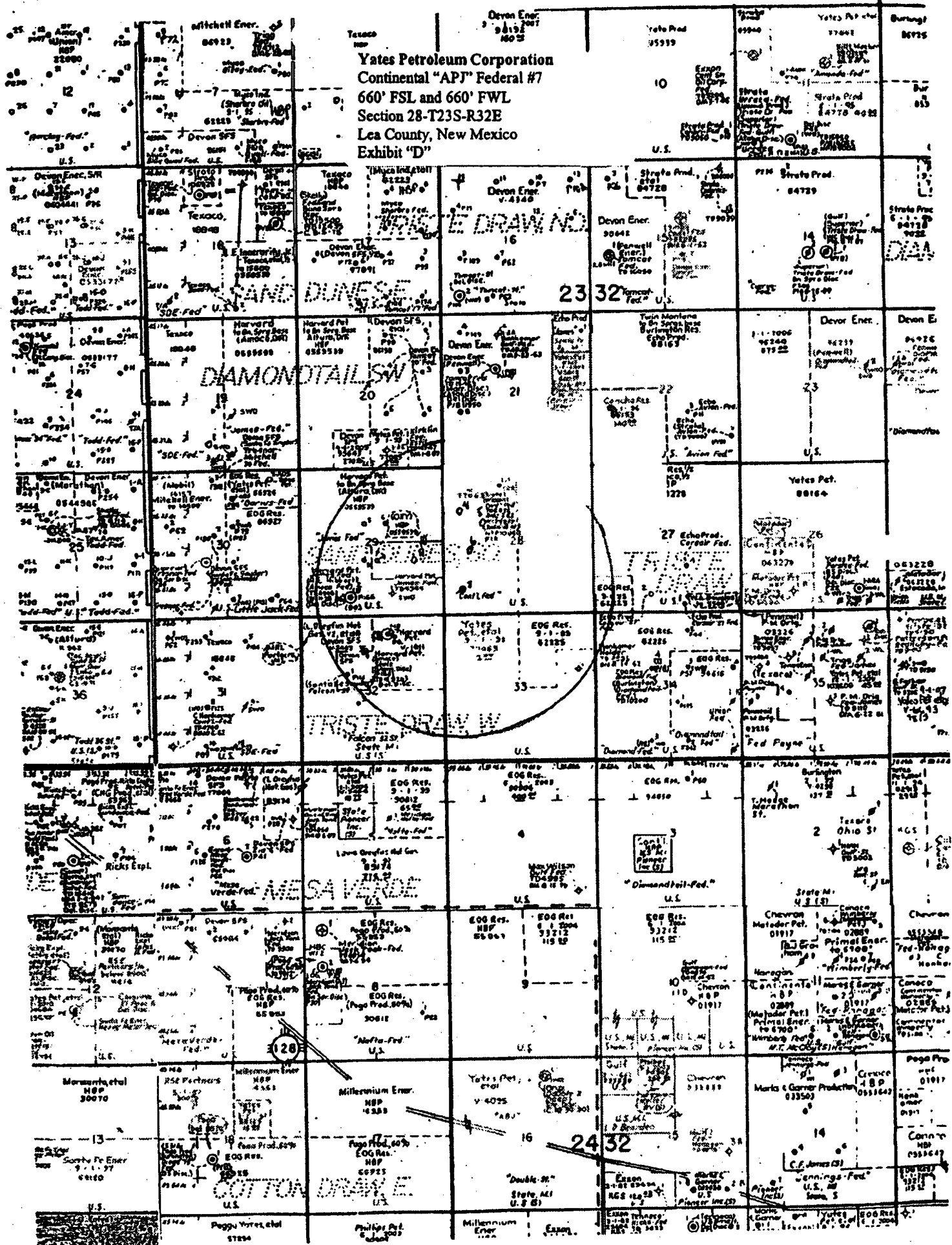
Yates Petroleum Corporation
 Continental "APJ" Federal #7
 660' FSL and 660' FWL
 Section 28-T23S-R32E
 Lea County, New Mexico
 Exhibit "C"



Distance from Well
 Head to Reserve Pit
 will vary between rigs

The above dimension
 should be a maximum

Yates Petroleum Corporation
Continental "APF" Federal #7
660' FSL and 660' FWL
Section 28-T23S-R32E
Lea County, New Mexico
Exhibit "D"



District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Gland 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
March 12,

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: Continental APJ Federal #7 API #: 3102537088 U/L or Qtr/Qtr M Sec 28 T 23S R 32E
County: Lea Latitude _____ Longitude _____ NAD: 1927 ☐ 1983 ☒ Surface Owner - Federal ☒ State ☐ Private ☐ Indian ☐

Pit Type: 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"/> Liner type: Synthetic <input checked="" type="checkbox"/> Thickness <u>12 mil</u> Clay <input type="checkbox"/> Volume <u>24,000</u> 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) <u>100 feet or more</u> (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) <u>No</u> (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) <u>1000 feet or more</u> (0 points)
Ranking Score (Total Points) <u>0 Points</u>	

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: January 7, 2005

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: _____

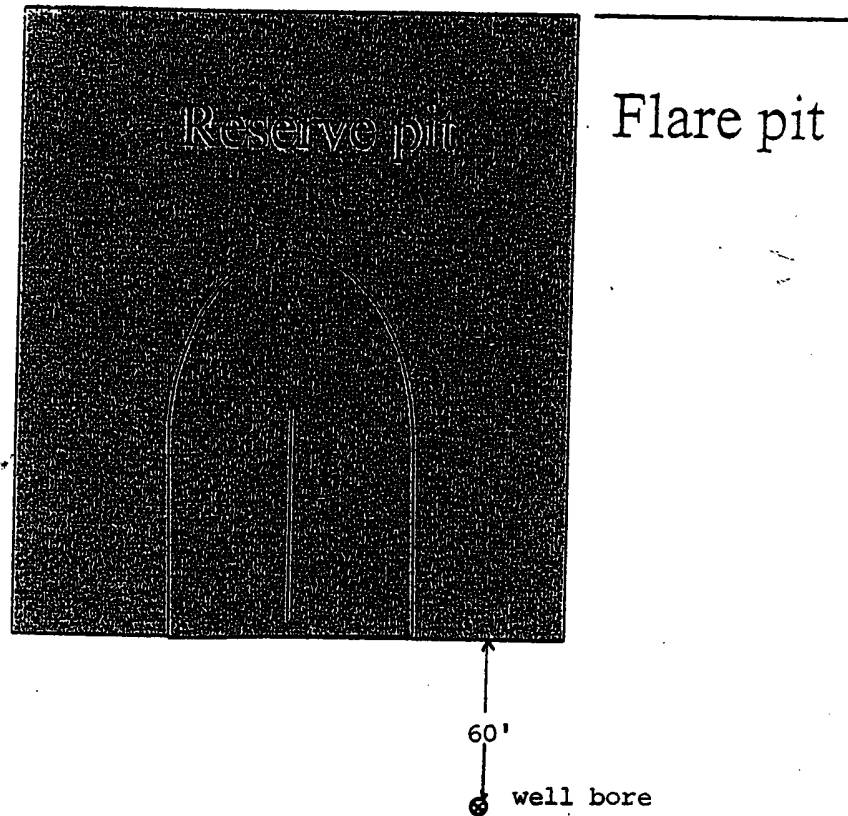
Printed Name/Title _____

ORIGINAL SIGNED BY
RAUL F. KAUTZ
Signature
PETROLEUM ENGINEER

FEB 16 2005

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