

N.M. Oil Cons. DIV-Dist. 2  
1301 W. Grand Avenue  
Artesia, NM 88210

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

RECEIVED

AUG 17 2005

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

APPLICATION FOR PERMIT TO DRILL OR REENTER

|  |  |  |  |
|--|--|--|--|
| 1a. Type of Work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER   |  | 5. Lease Serial No.<br>NM LC-028990-B  |  |
| b. Type of Well: <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input checked="" type="checkbox"/> Other <input checked="" type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone |  | 6. If Indian, Allottee or Tribe Name<br>Not Applicable   |  |
| 2. Name of Operator<br>Yates Petroleum Corporation   |  | 7. If Unit or CA Agreement, Name and No.<br>32575  |  |
| 3A. Address<br>105 South Fourth Street<br>Artesia, New Mexico 88210  |  | 8. Lease Name and Well No.<br>Creek AL Federal Com #20   |  |
| 3b. Phone No. (include area code)<br>(505) 748-4372  |  | 9. API Well No.<br>30-015-32886  |  |
| 4. Location of Well (Report location clearly and in accordance with any State requirements. *)<br>At surface<br>At proposed prod. Zone<br>SENE 1980' FNL and 1200' FEL Unit H<br>Same as Above Secretary's Potash                |  | 10. Field and Pool, or Exploratory<br>11. Sec., T., R., M., or Blk. and Survey or Area<br>Sec 25 T18S R30E Mer NMP |  |
| 14. Distance in miles and direction from nearest town or post office*<br>APPROXIMATELY 8 MILES SW OF LOCO HILLS, NM  |  | 12. County or Parish<br>Eddy   |  |
| 15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any)<br>120'  |  | 13. State<br>New Mexico  |  |
| 16. No. of Acres in lease<br>560.00  |  | 17. Spacing Unit dedicated to this well<br>320.00  |  |
| 18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft.<br>2000'  |  | 19. Proposed Depth<br>12250 MD   |  |
| 20. BLM/BIA Bond No. on file   |  | 21. Elevations (Show whether DF, KDB, RT, GL, etc.)<br>3588 GL   |  |
| 22. Approximate date work will start*<br>ASAP  |  | 23. Estimated duration<br>45 DAYS  |  |

24. Attachments

Chatten Controlled Water Risk

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<br>Debbie L. Caffall  |  | Name (Printed/Typed)<br>Debbie L. Caffall                       | Date<br>6/9/2005 |
| Regulatory Agent / Land Department<br>Approved by (Signature)<br>STEPHEN L. FUSBERG |  | debbiec@ypcnm.com<br>Name (Printed/Typed)<br>STEPHEN L. FUSBERG |                  |
| Title<br>ACTING STATE DIRECTOR  |  | Office<br>NM STATE 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)

C-144 attached

Previously Approved

APPROVAL SUBJECT TO  
GENERAL REQUIREMENTS AND  
SPECIAL STIPULATIONS  
ATTACHED

WITNESS: 13 3/8" CEMENT JOB

## 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

## 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<br>96785                           | Pool Name<br>Hackberry; Morrow, North |
| Property Code       | Property Name<br>CREEK "AL" FEDERAL COM.     | Well Number<br>20                     |
| OGRID No.<br>025575 | Operator Name<br>YATES PETROLEUM CORPORATION | Elevation<br>3588                     |

## Surface Location

| UL or lot No. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| H             | 25      | 18S      | 30E   |         | 1980          | NORTH            | 1200          | EAST           | EDDY   |

## 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<br>320 | 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-028990-B | NM-025307 | NM-028990-B |  | <b>OPERATOR CERTIFICATION</b>   |  |
|             |           |             |  | I hereby certify the information contained herein is true and complete to the best of my knowledge and belief.  |  |
|             |           |             |  | Signature: <i>Cy Cowan</i><br>Printed Name: Cy Cowan<br>Title: Regulatory Agent<br>Date: May 2, 2003  |  |
|             |           |             |  | <b>SURVEYOR CERTIFICATION</b>   |  |
|             |           |             |  | 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 Surveyed: 4/16/2003<br>Signature: <i>Herschel L. Jones</i><br>Professional Surveyor<br>Certificate No. Herschel L. Jones RLS 3640<br>GENERAL SURVEYING COMPANY   |  |

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

**YATES PETROLEUM CORPORATION****Creek AL Federal Com. #20**

1980' FNL &amp; 1200' FEL

Section. 25 -T18S-R30-E

Eddy County, New Mexico

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

|              |       |          |        |
|--------------|-------|----------|--------|
| Rustler      | 485'  | Dolomite | 8300'  |
| Tansill      | 1800' | Wolfcamp | 9570'  |
| Yates        | 1910' | Strawn   | 10750' |
| Seven Rivers | 2350' | Atoka    | 11075' |
| Queen        | 3075' | Morrow   | 11470' |
| Grayburg     | 3560' | Chester  | 12120' |
| Delaware     | 4600' | TD       | 12250' |
| Bone Spring  | 5820' |          |        |

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

Water: Approx 250' - 350'  
Oil or Gas: All Potential Zones

3. Pressure Control Equipment: BOPE will be installed on the 9 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            | 0-700'          | 700'          |
| 12 1/4"          | 9 5/8"             | 36#           | J-55         | ST&C            | 0-4000'         | 4000'         |
| 8 3/4"           | 7"                 | 29#           | P-110        | LT&C            | 0-100'          | 100'          |
| 8 3/4"           | 7"                 | 26#           | L-80         | LT&C            | 100'-8600'      | 8500'         |
| 8 3/4"           | 7"                 | 26#           | HCP-110      | LT&C            | 8600'-11000'    | 2400'         |
| 8 3/4"           | 7"                 | 29#           | P-110        | LT&C            | 11000'-12250'   | 1250'         |

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

## B. CEMENTING PROGRAM:

Surface casing: 400 sx Lite (YLD 2.0 WT 12.5) Tail in w/ 250 sx Class "C"  
+ 2% CaCL<sub>2</sub> (YLD 1.32 WT 14.8).

Intermediate Casing: Lead with 1100 sx Lite (YLD 2.0 WT 12.5); Tail in w/250 sx Class "C"  
+ 2% CaCL<sub>2</sub> (YLD 1.32 WT 14.8).

Production Casing: TOC-3500'; Lead with 600 sx Lite (YLD 2.0 WT. 12.5). Tail in w/ 500 sx  
Super "C" (YLD 1.62 WT 13.2)

## 5. Mud Program and Auxiliary Equipment:

| <u>Interval</u> | <u>Type</u>              | <u>Weight</u> | <u>Viscosity</u> | <u>Fluid Loss</u> |
|-----------------|--------------------------|---------------|------------------|-------------------|
| 0-700'          | FW Gel/Paper             | 8.6-9.0       | 32-36            | N/C               |
| 700'-4000'      | Brine                    | 10.0-10.2     | 28               | N/C               |
| 4000'-11000'    | Cut Brine                | 8.8-9.5       | 28               | N/C               |
| 11000'-12250'   | S Gel/Starch/Drispac/KCL | 9.5-10.0      | 32-40            | <10cc             |

Sufficient mud material(s) to maintain mud properties, control lost circulation and contain a blow out will be available at the well site during drilling operations. Mud will be checked hourly by rig personnel.

## 6. EVALUATION PROGRAM:

Samples: 30' samples to 5000'. 10' samples 5000' to TD.

Logging: Platform HALS

Coring: Sidewall cores as warranted.

DST's: As warranted.

## 7. Abnormal Conditions, Bottom hole pressure and potential hazards:

Anticipated BHP:

|             |           |                       |      |     |
|-------------|-----------|-----------------------|------|-----|
| From: O     | TO: 700'  | Anticipated Max. BHP: | 300  | PSI |
| From: 700'  | TO: 4000' | Anticipated Max. BHP: | 1700 | PSI |
| From: 4000' | TO: TD    | Anticipated Max. BHP: | 6100 | PSI |

No abnormal pressures or temperatures are anticipated.

Lost Circulation Zones Anticipated: None.

H<sub>2</sub>S Zones Anticipated: None

## 8. ANTICIPATED STARTING DATE:

Plans are to drill this well as soon as possible after receiving approval. It should take approximately 30 days to drill the well with completion taking another 15 days.

## **MULTI-POINT SURFACE USE AND OPERATIONS PLAN**

**Creek AL Federal Com. #20**

1980' FNL & 1200' FEL

Section. 25 -T18S-R30-E

Eddy 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 8 miles southwest of Loco Hills, New Mexico and the access route to the location is indicated in red and green on Exhibit A.

#### **DIRECTIONS:**

Go east of Artesia on Highway 82 to Highway 360. Turn right on 360 and go to Duval Shaft Road (CR-251). Turn left on Duval Shaft Road and go to Grubbs Road (CR-250). Turn right on Grubbs road and go approx. 3 miles. Turn left here and go approx. 0.8 of a mile. The new road will start here going east.

### **2. PLANNED ACCESS ROAD.**

- A. The proposed new access will go east for approximately 200 feet to the southwest corner of the drilling pad. The road will lie in a west to east 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 one side. Traffic turnouts may be built.
- 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 wellsite.
- B. Exhibit D shows existing wells within a one-mile radius of the proposed wellsite.

### **4. LOCATION OF EXISTING AND/OR PROPOSED FACILITIES**

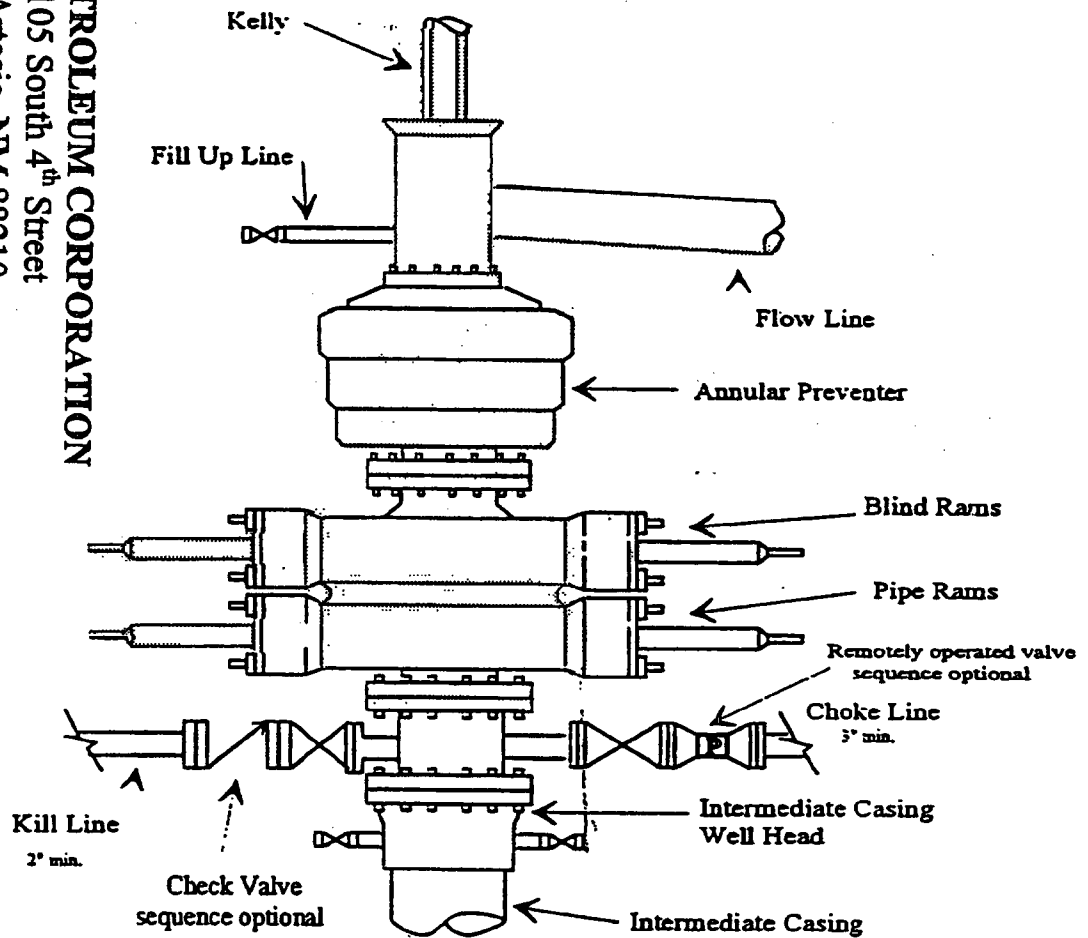
- A. There are production facilities on this lease at the present time.
- B. In the event that the well is productive, the necessary production facilities will be installed on the drilling pad. If the well is productive oil, a gas or diesel self-contained unit will be used to provide the necessary power. No power will be required if the well is productive of gas.

## Yates Petroleum Corporation

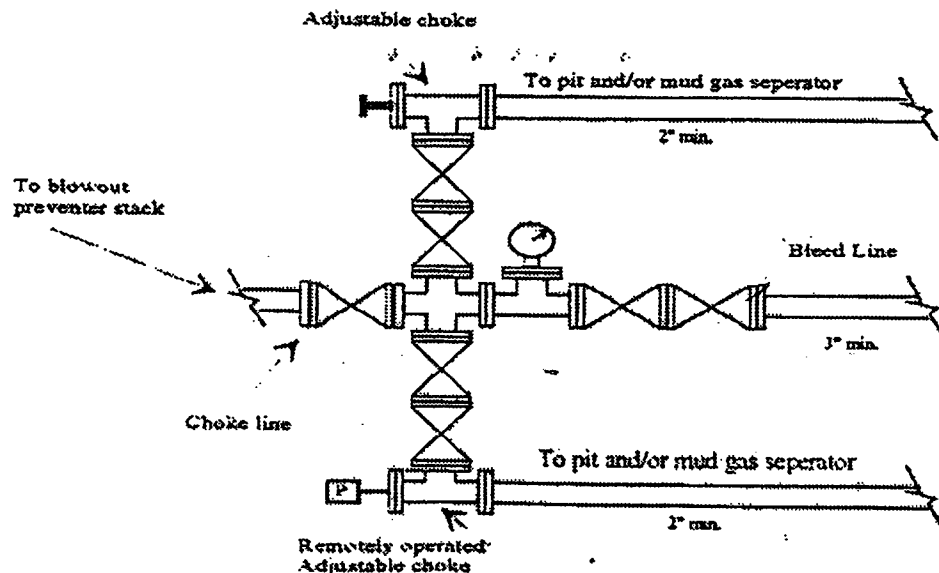
Typical 5,000 psi Pressure System

Schematic

Annular with Double Ram Preventer Stack



Typical 5,000 psi choke manifold assembly with at least these minimum features



YATES PETROLEUM CORPORATION

105 South 4<sup>th</sup> Street

Artesia, NM 88210

Creek AL Federal Com. #20

1980' FNL &amp; 1200' FEL

Section. 25 - T18S-R30-E

Eddy County, New Mexico

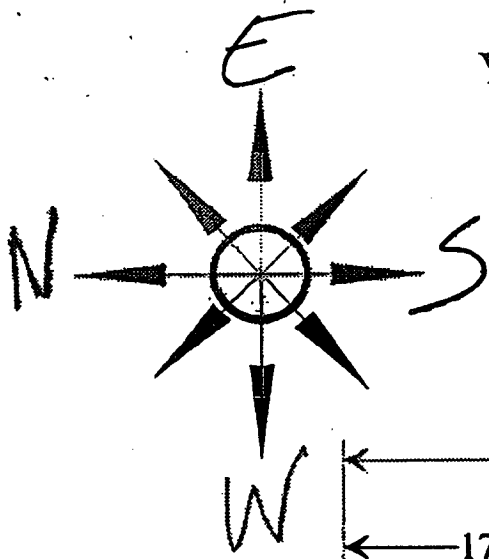
Exhibit "B"

EX-123-123

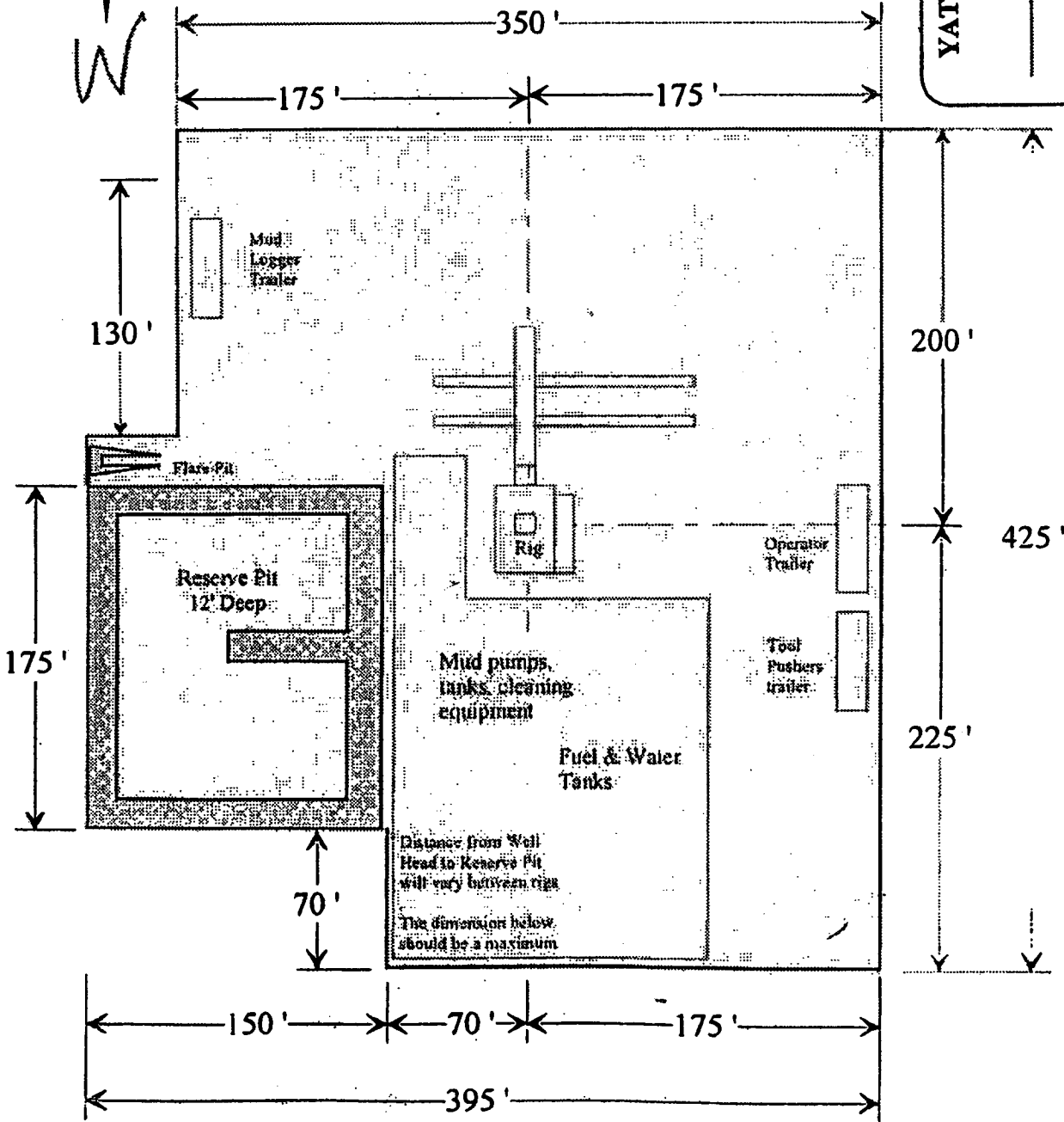
# Yates Petroleum Corporation

Location Layout for Permian Basin  
12,000' to 14,000'

Pits North



**YATES PETROLEUM CORPORATION**  
105 South 4<sup>th</sup> Street  
Artesia, NM 88210  
Creek AL Federal Com. #20  
1980' FNL & 1200' FEL  
Section 25 -T18S-R30-E  
Eddy County, New Mexico  
Exhibit "C"



## CONDITIONS OF APPROVAL - DRILLING

**Operator's Name:** YATES PETROLEUM CORPORATION  
**Well Name & No.** 20 - CREEK AL FEDERAL COM  
**Location:** 1980' FNL & 1200' FEL - SEC 25 - T18S - R30E - EDDY COUNTY  
**Lease:** NMLC-028990-B

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### **I. DRILLING OPERATIONS REQUIREMENTS:**

1. The Bureau of Land Management (BLM) is to be notified at the Roswell Field Office, 2909 West Second St., Roswell NM 88201, (505) 627-0272 for wells in Chaves and Roosevelt Counties; the Carlsbad Field Office, 620 East Greene St., Carlsbad, NM 88220, (505) 234-5909 or (505) 361-2822 (After hours) - for wells in Eddy County; and the Hobbs Field Station, 414 West Taylor, Hobbs NM 88240, (505) 393-3612 for wells in Lea County, in sufficient time for a representative to witness:

A. Spudding

B. Cementing casing: 13-3/8 inch 9-5/8 inch 7 inch

C. BOP tests

2 Unless the production casing has been run and cemented or the well has been properly plugged, the drilling rig shall not be removed from over the hole without prior approval.

3. Submit a Sundry Notice (Form 3160-5, one original and five copies) for each casing string, describing the casing and cementing operations. Include pertinent information such as; spud date, hole size, casing ( size, weight, grade and thread type), cement (type, quantity and top), water zones and problems or hazards encountered. The Sundry shall be submitted within 15 days of completion of each casing string. The reports may be combined into the same Sundry if they fall within the same 15 day time frame.

4. The API No. assigned to the well by NMOCD shall be included on the subsequent report of setting the first casing string.

5. A Communitization Agreement covering the acreage dedicated to this well must be filed for approval with the BLM. The effective date of the agreement shall be prior to any sales.

### **II. CASING:**

1. The 13-3/8 inch surface casing shall be set at 700 feet, below usable water and cement circulated to the surface. If cement does not circulate to the surface the appropriate BLM office shall be notified and a temperature survey or cement bond log shall be run to verify the top of the cement. Remedial cementing shall be completed prior to drilling out that string.

**Note: If salt occurs above the setting depth of 700 feet set surface casing at least 10 feet above the top of the salt.**

2. The minimum required fill of cement behind the 9-5/8 inch salt protection casing is **circulate cement to the surface.**

3. The minimum required fill of cement behind the 7 inch production casing is **cement shall extend upward a minimum of 500 feet above the uppermost hydrocarbon bearing interval.**

(ORIG. SGD.) LES BABYAK



### **III. PRESSURE CONTROL:**

1. All BOP systems and related equipment shall comply with well control requirements as described in Onshore Oil and Gas Order No. 2. The BOP and related equipment shall be installed and operational before drilling below the 9-5/8 inch casing shoe and shall be tested as described in Onshore Order No. 2. Any equipment failing to test satisfactorily shall be repaired or replaced.
2. Minimum working pressure of the blowout preventer and related equipment (BOPE) required for drilling the surface and intermediate casing shall be 2000 psi. Minimum working pressure of the blowout preventer and related equipment (BOPE) required for drilling below the 9-5/8 inch intermediate casing shall be 5000 psi.
3. The appropriate BLM office shall be notified in sufficient time for a representative to witness the tests.
  - The tests shall be done by an independent service company.
  - The results of the test shall be reported to the appropriate BLM office.
  - Testing fluid must be water or an appropriate clear liquid suitable for sub-freezing temperatures. Use of drilling mud for testing is not permitted since it can mask small leaks.
  - Testing must be done in a safe workman-like manner. Hard line connections shall be required.
  - BOPE must be tested prior to drilling into the Wolfcamp formation by an independent service company.

### **IV. DRILLING MUD:**

Mud system monitoring equipment, with derrick floor indicators and visual and audio alarms, shall be operating before drilling into the Wolfcamp Formation, and shall be used until production casing is run and cemented. Monitoring equipment shall consist of the following:

1. Recording pit level indicator to indicate volume gains and losses
2. Mud measuring device for accurately determining the mud volumes necessary to fill the hole during trips
3. Flow-sensor on the flow line to warn of abnormal mud returns from the well