

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

OMB No. 1004-0136  
Expires November 30, 2000

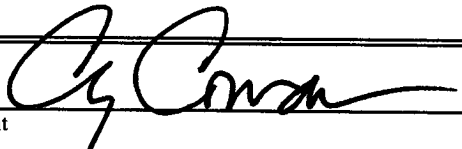
APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of Work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. <b>NM-105213</b>	
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 <b>25575 Yates Petroleum Corporation Undos. Pierce Crossing, Bone Spring, East</b>		7. If Unit or CA Agreement, Name and No.	
3A. Address <b>105 South Fourth Street Artesia, New Mexico 88210</b>		8. Lease Name and Well No. <b>35031 Jester BFJ Federal #1</b>	
3b. Phone No. (include area code) <b>(505) 748-1471</b>		9. API Well No. <b>30-015-34275</b>	
4. Location of Well (Report location clearly and in accordance with any State requirements. *) At surface <b>630' FSL and 2310' FWL</b> At proposed prod. Zone <b>Same</b>		10. Field and Pool, or Exploratory	
14. Distance in miles and direction from nearest town or post office* <b>Approximately 37 miles east of Malga, New Mexico.</b>		11. Sec., T., R., M., or Blk. and Survey or Area <b>Section 12, T24S-R29E</b>	
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) <b>630'</b>	16. No. of Acres in lease <b>320.00</b>	17. Spacing Unit dedicated to this well <b>SE/SW</b>	
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. <b>.7 of mile</b>	19. Proposed Depth <b>9200'</b>	20. BLM/BIA Bond No. on file <b>NM-2811</b>	
21. Elevations (Show whether DF, KDB, RT, GL, etc.) <b>3103' GL</b>	22. Approximate date work will start* <b>ASAP</b>	23. Estimated duration <b>45 days</b>	

24. Attachments

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

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

25. Signature 	Name (Printed/Typed) <b>Cy Cowan</b>	Date <b>7/13/05</b>
Regulatory Agent		
Approved by (Signature) <b>/s/ Joe G. Lara</b>	Name (Printed/Typed) <b>/s/ Joe G. Lara</b>	Date <b>AUG 16 2005</b>
Title <b>ACTING FIELD MANAGER</b>	Office <b>CARLSBAD FIELD OFFICE</b>	

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

APPROVAL SUBJECT TO  
GENERAL REQUIREMENTS  
AND SPECIAL STIPULATIONS  
ATTACHED

CARLSBAD CONTROLLED WATER BASIN

Witness Surface Casing

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

# YATES PETROLEUM CORPORATION

## Jester BFJ Federal #1

630' FSL & 2310' FWL

Section 12,-T24S-R29E

Eddy County, New Mexico

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

Rustler	330'	Brushy Canyon	5360'
Top of Salt	450'	Brushy Canyon Marker	6700'
Base of Salt	3015'	Bone Spring	6970'
Bell Canyon	3220'	TD	9200'
Cherry Canyon	4090'		

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

Water: Approx 18'

Oil or Gas: All potential zones.

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.

### 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)

Hole Size	Casing Size	Wt./Ft	Grade	Coupling	Interval	Length	WITNESS
17 1/2"	13 3/8"	48#	H-40	ST&C	0-500'	500'	
11"	8 5/8"	32#	J-55	ST&C	0-100'	100'	
11"	8 5/8"	24#	J-55	ST&C	100'-2200'	2100'	
11"	8 5/8"	32#	J-55	ST&C	2200'-3200'	1000'	
7 7/8"	5 1/2"	17#	J-55	LT&C	0-500'	500'	
7 7/8"	5 1/2"	15.5#	J-55	LT&C	500'-7200'	6700'	
7 7/8"	5 1/2"	17#	J-55	LT&C	7200'-9200'	2000'	

Yates Petroleum Corporation requests a variance to install a rotating head on the surface casing strings when intermediate casing will be set. If a BOP system is required then we wish to install a 2M system and receive a variance to test the system to 1000# using the rig pumps. The test will be held for 30 minutes on each system component. Components to be tested include pipe rams, blind rams, and annular preventer.

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

**B. CEMENTING PROGRAM:**

Surface casing: 350 sx Lite "C" (YLD 2.01 WT 12.4); Tail in w/ 200 sx Class "C" + 2% CaCl<sub>2</sub> (YLD 1.34 WT 14.8).

Intermediate Casing: 825 sx Lite (YLD 2.01 WT 11.9); Tail in w/ 200 sx "C" + 2% CaCl<sub>2</sub> (YLD 1.32 WT. 14.8)

Production Casing: Stage I: TOC 6500', 550 sx Super "H" (YLD 16.7 WT 13.0) DV tool + packer at 6500'. Tail in w/ 50 sx Thixset (YLD 1.4 WT 14.4).  
Stage II: 550 sx Lite (YLD 2.5 WT 11.9); Tail in w/ 50 sx Premium (YLD 1.3 WT 14.8)

**5. Mud Program and Auxiliary Equipment:**

<u>Interval</u>	<u>Type</u>	<u>Weight</u>	<u>Viscosity</u>	<u>Fluid Loss</u>
0-500'	FW/Spud Mud	8.4-8.6	30-34	N/C
500'-3200'	Brine	10.0-10.2	28	N/C
3200'-5150'	Cut Brine	8.8-9.1	28-29	N/C
5150'-9200'	Cut Brine/Starch	8.8-9.2	28-32	<10-15cc

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. Mud will be checked hourly by rig personnel.

**6. EVALUATION PROGRAM:**

Samples: 30' samples surface to 3000'; 10' samples 3000'-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: 500'	Anticipated Max.	BHP: 220	PSI
From: 500'	TO: 3200'	Anticipated Max.	BHP: 1700	PSI
From: 3200'	TO: 9200'	Anticipated Max.	BHP: 4400	PSI

No abnormal pressures or temperatures are anticipated.

Lost Circulation Zones Anticipated: None.

**H2S Zones Anticipated: None**

Maximum Bottom Hole Temperature: 168 F

**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**  
**Yates Petroleum Corporation**  
**Jester BFJ Federal #1**  
630' FSL & 2310' FWL  
Section. 12-T24S-R29E  
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 37 miles east of Malga, New Mexico and the access route to the location is indicated in red and green on Exhibit A.

DIRECTIONS:

Go east of Carlsbad on Highway 62-180 to State Road 31. Turn south on 31 and go to Highway 128 (Jal Highway). Turn left on HWY 128 and go approximately 4 miles to Rawhide Road (CR-793) Mississippi Potash Mine Shaft #5 is here. Turn south here on CR-793 and go approx. 3.4 miles. Follow County road to the left and go east for approx. .2 of a mile. Turn south on county road and follow it for approx. 3.5 miles. At this point there will be a tank on the left and a lease road with powerlines going west. Turn west on this lease road and go approx. 1.1 miles. The new road will start here going to the south for approx. .5 of a mile then west for approx. .3 of a mile to the northeast corner of the well location.

2. PLANNED ACCESS ROAD.

- A. The proposed new access will be approximately 0.8 in total length of a mile going south then to the west to the northeast corner of the drilling pad. The road will lie in a southerly then westerly 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.

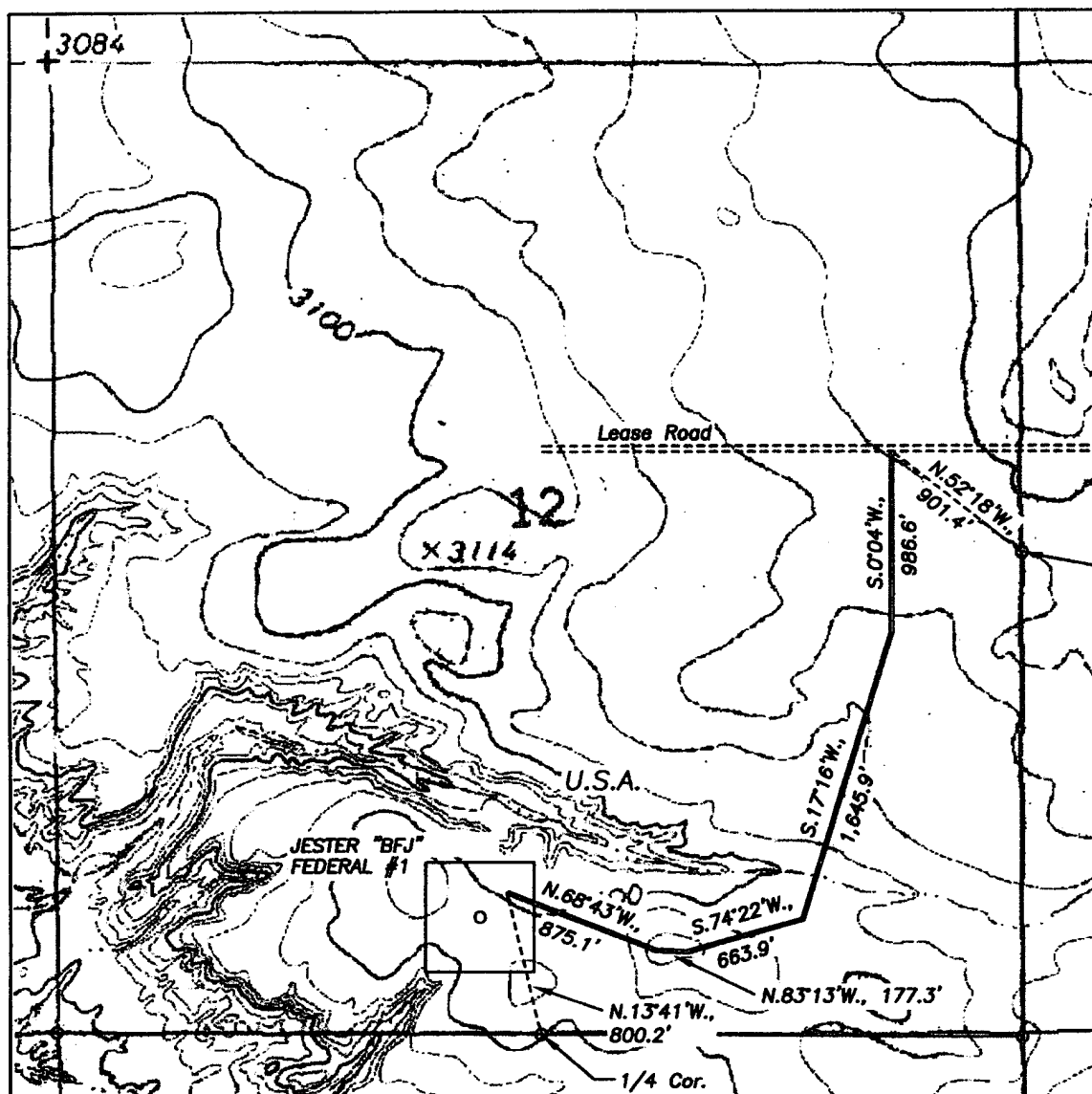
3. LOCATION OF EXISTING WELL

- A. There is drilling activity within a one-mile radius of the wellsite.
- B. The exhibit shows existing wells within a one-mile radius of the proposed

4. LOCATION OF EXISTING AND/OR PROPOSED FACILITIES

- A. There are no production facilities on this lease at the present time.

SECTION 12, TOWNSHIP 24 SOUTH, RANGE 29 EAST, NMPM, EDDY COUNTY, NEW MEXICO.



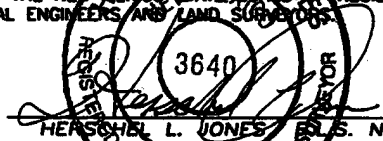
DESCRIPTION:

A LEASE ROAD RIGHT OF WAY 30 FEET WIDE AND 4,348.8 FEET IN LENGTH, BEING 15 FEET TO THE LEFT AND RIGHT OF THE SURVEY CENTERLINE AS SHOWN IN RED ON THIS PLAT.

4,348.8 FEET = 263.5636 RODS, 0.8236 MILES OR 2.9950 ACRES, MORE OR LESS.

1000' 0 1000' 2000'  
Scale 1" = 1000'

THE PREPARATION OF THIS PLAT AND THE PERFORMANCE OF THE SURVEY UPON WHICH IT IS BASED WERE DONE UNDER MY DIRECTION AND THE PLAT ACCURATELY DEPICTS THE RESULTS OF SAID SURVEY AND MEET THE REQUIREMENTS OF THE STANDARDS FOR LAND SURVEYS IN NEW MEXICO AS ADOPTED BY THE NEW MEXICO STATE BOARD OF REGISTRATION FOR PROFESSIONAL ENGINEERS AND LAND SURVEYORS.

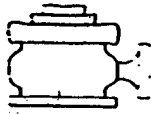


GENERAL SURVEYING COMPANY P.O. BOX 1928  
LOVINGTON, NEW MEXICO 88260

## YATES PETROLEUM CORP.

LEASE ROAD TO ACCESS THE YATES JESTER "BFJ" FEDERAL #1 WELL, LOCATED IN SECTION 12, TOWNSHIP 24 SOUTH, RANGE 29 EAST, NMPM, EDDY COUNTY, NEW MEXICO.

Survey Date: 11/10/2004	Sheet 1 of 1 Sheets
Drawn By: Ed Blevins	W.O. Number
Date: 11/10/04	Scale 1" = 1000' JESTER 1



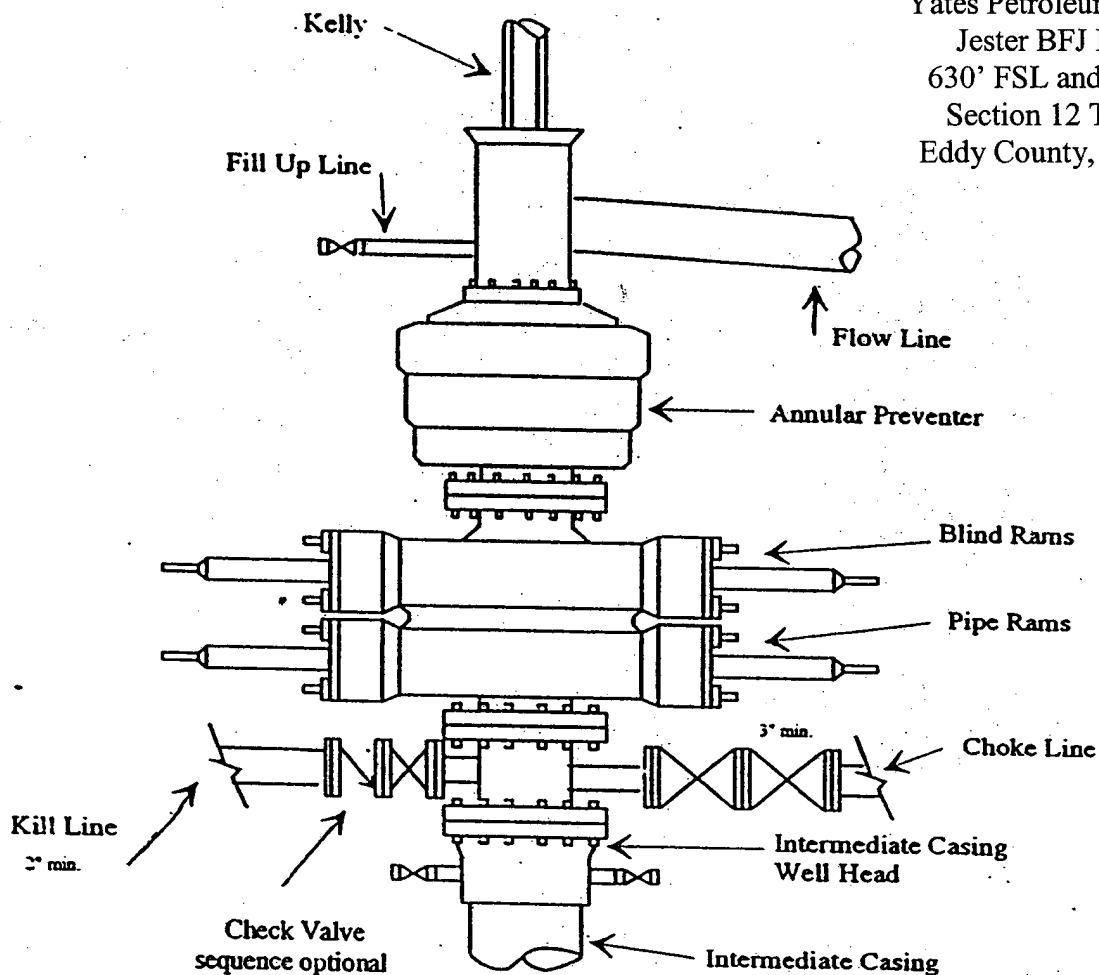
# Yates Petroleum Corporation

BOP-3

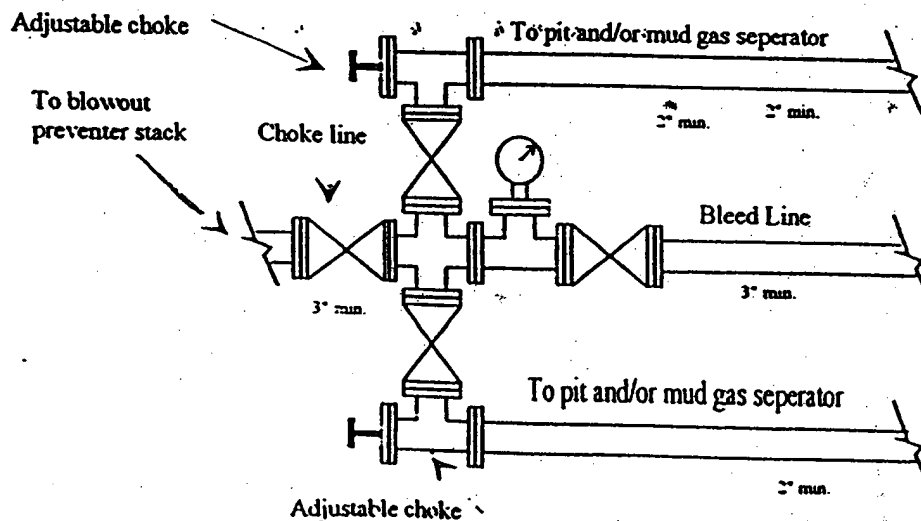
Typical 3,000 psi Pressure System  
Schematic

Annular with Double Ram Preventer Stack

Yates Petroleum Corporation  
Jester BFJ Federal #1  
630' FSL and 2310' FWL  
Section 12 T24S-R29E  
Eddy County, New Mexico



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



## CONDITIONS OF APPROVAL - DRILLING

Operator's Name: Yates Petroleum Corporation  
Well Name & No. Jester BFJ Federal #1  
Location: 630' FSL, 2310' FWL, Section 12, T. 24 S., R. 29 E., Eddy County, New Mexico  
Lease: NM-105213

### I. DRILLING OPERATIONS REQUIREMENTS:

1. The Bureau of Land Management (BLM) is to be notified at the Carlsbad Field Office, 620 East Greene St., Carlsbad, NM 88220, (505) 361-2822 for wells in Eddy County in sufficient time for a representative to witness:

A. Well spud

B. Cementing casing: 13-3/8 inch 8-5/8 inch 5-1/2 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.

### II. CASING:

1. The 13-3/8 inch surface casing shall be set at approximately 500 feet 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.

2. The minimum required fill of cement behind the 8-5/8 inch intermediate casing is to be circulated to the surface.

3. The minimum required fill of cement behind the 5-1/2 inch production casing is to reach at least 500 feet above the top of the uppermost hydrocarbon productive interval.

### 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 13-3/8 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) shall be 3000 psi. A 2000 psi system may be used to drill the intermediate section of the well if necessary. Testing to 1000 psi is approved.

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.