

Arch report
06-246.

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

C-06-11

Form 3160-3
(August 1999)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

0297

1a. Type of Work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. NM-104698	
b. Type of Well: <input type="checkbox"/> Oil Well <input checked="" 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		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. <36063> Gretchen BHX Federal #1	
3b. Phone No. (include area code) (505) 748-1471		9. Field and Pool, or Exploratory Wildcat Mississippian	
4. Location of Well (Report location clearly and in accordance with any State requirements. *) At surface 660' FSL and 1930' FWL, Unit N At proposed prod. Zone same as above		10. Sec., T., R., M., or Blk, and Survey or Area Section 29-T9S-R34E	
14. Distance in miles and direction from nearest town or post office* Approximately 9 miles West of Crossroads, New Mexico		12. County or Parish Lea County	
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any)		13. State NM	
16. No. of Acres in lease 320		17. Spacing Unit dedicated to this well 320 S/2	
18. Distance from proposed* location to nearest well, drilling, completed, applied for, on this lease, ft.		19. Proposed Depth 12,400'	
20. BLM/BIA Bond No. on file NM-2811		21. Estimated duration 60 days	
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 4274 GL		22. Approximate date work will start* ASAP	
24. Attachments			

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 12/8/2005
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Approved by (Signature) /s/ Don Peterson		Name (Printed/Typed) /s/ Don Peterson		Date OCT 03 2006
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)

****C-144 is attached to Application for Permit to Drill. The NOS for this well was submitted under the name of Panhandle BHX Federal #1.**

**APPROVAL SUBJECT TO
GENERAL REQUIREMENTS AND
SPECIAL STIPULATIONS
ATTACHED**

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

OCD-HOBBS

FORM APPROVED
OMB No. 1004-0135
Expires November 30, 2000

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or reenter an abandoned well. Use Form 3160-3 (APD) for such proposals.

SUBMIT IN TRIPLICATE - Other instructions on reverse side

1. Type of Well

☐ Oil Well ☒ Gas Well ☐ Other

2. Name of Operator

Yates Petroleum Corporation

3a. Address

105 South Fourth Street, Artesia, NM 88210

3b. Phone No. (include area code)

(505) 748-1471

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)

660' FSL & 1930' FWL, Unit N, Sec. 29-T9S-R34E

5. Lease Serial No.

NM-104698

6. If Indian, Allottee or Tribe Name

N/A

7. If Unit or CA/Agreement, Name and/o

8. Well Name and No.

Gretchen BHX Federal #1

9. API Well No.

10. Field and Pool, or Exploratory Area

Wildcat Mississippian

11. County or Parish, State

Lea County, New Mexico

12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION

TYPE OF ACTION

☒ Notice of Intent☐ Subsequent Report☐ Final Abandonment Notice☐ Acidize☐ Alter Casing☐ Casing Repair☒ Change Plans☐ Convert to Injection☐ Deepen☐ Fracture Treat☐ New Construction☐ Plug and Abandon☐ Plug Back☐ Production (Start/Resume)☐ Reclamation☐ Recomplete☐ Temporarily Abandon☐ Water Disposal☐ Water Shut-Off☐ Well Integrity☐ Other amend

Surface Use Plan

13. Describe Proposed or Completed Operations (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recomple horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompletion in a new interval, a Form 3160-4 shall be filed once Testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

Yates Petroleum Corporation wishes to change the route of the road as shown on the attached plat.
This is being done at the request of BLM.

14. I hereby certify that the foregoing is true and correct

Name (Printed/Typed)

Clifton R. May

Title

Regulatory Agent

Signature

Clifton R. May

Date

August 29, 2006

THIS SPACE FOR FEDERAL OR STATE USE

Approved by

[Signature]

/s/ Don Peterson

ACTING
FIELD MANAGER

Date

OCT 03 2006

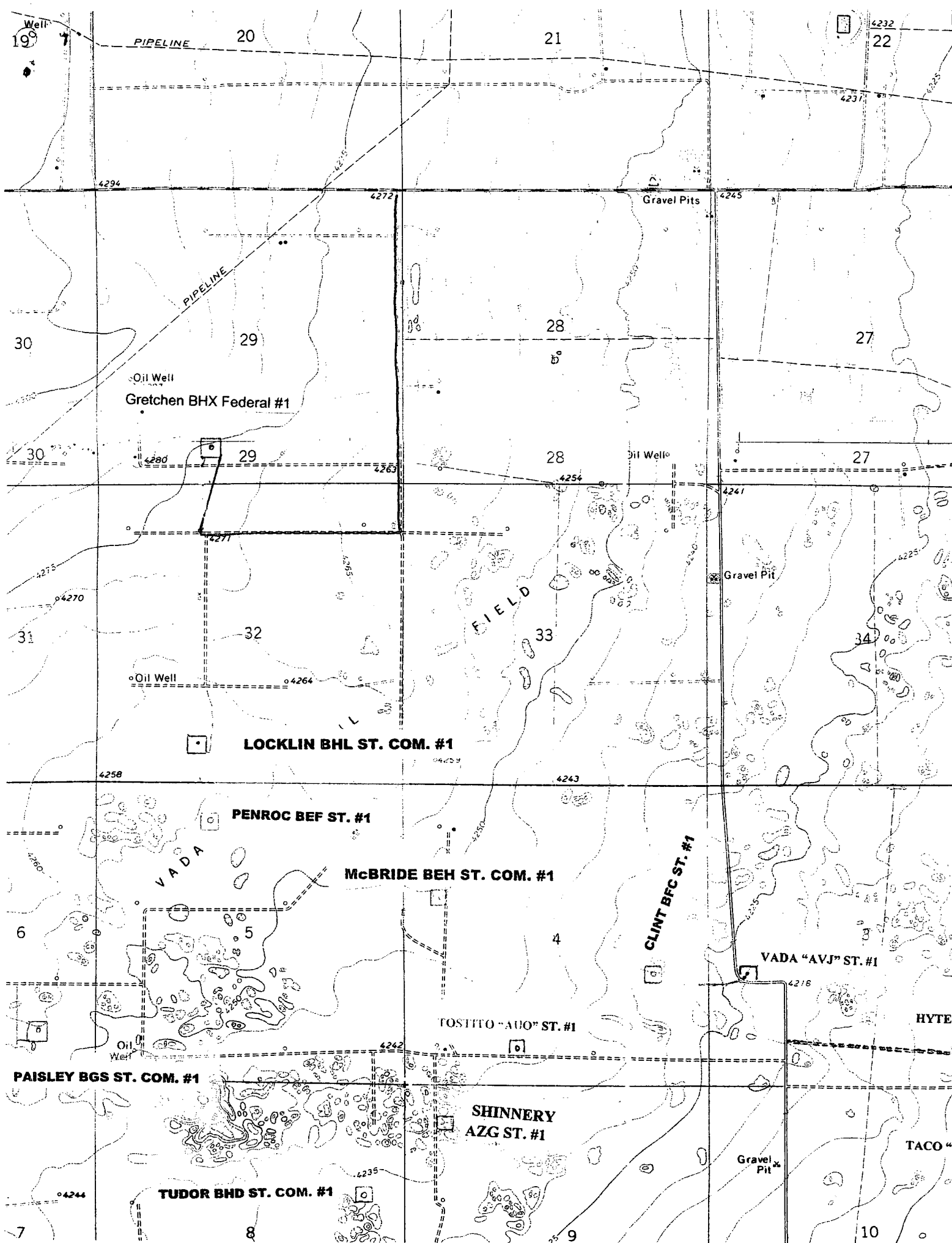
Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

Office

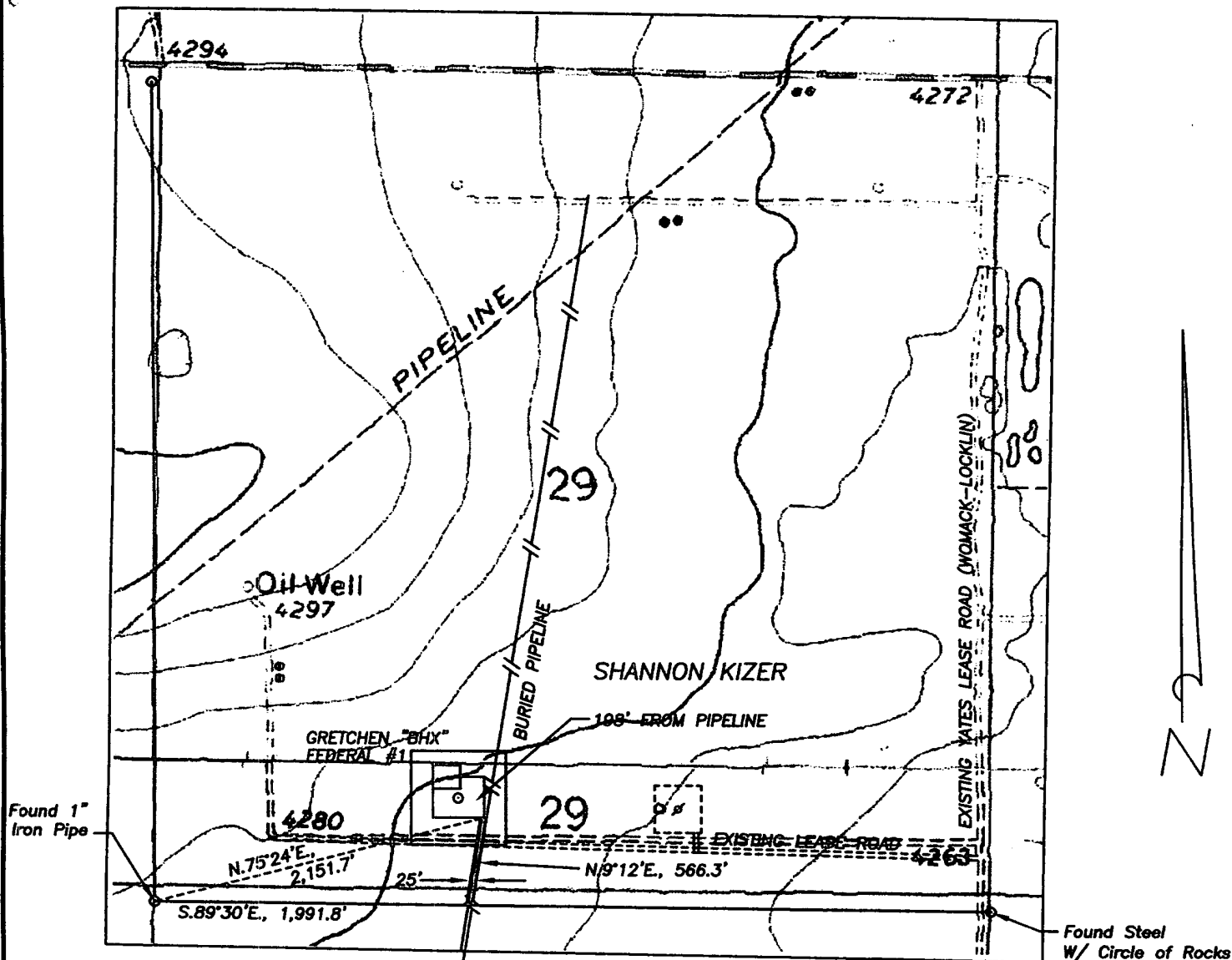
CARLSBAD FIELD OFFICE

Title 18 U.S.C. Section 1001, 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)



SECTION 29, TOWNSHIP 9 SOUTH, RANGE 34 EAST, NMPM, LEA COUNTY, NEW MEXICO.



DESCRIPTION:

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

BEGINNING AT A POINT LOCATED S.89°30'E., 1,991.8 FEET DISTANT FROM THE SOUTHWEST CORNER OF SECTION 29, TOWNSHIP 9 SOUTH, RANGE 34 EAST, NMPM, LEA COUNTY, NEW MEXICO; THENCE N.9°12'E., 566.3 FEET, ALONG AND 25 FEET WEST OF AN EXISTING BURIED PIPELINE TO A POINT LOCATED AT THE SOUTHEAST CORNER OF THE PROPOSED GRETCHEN FEDERAL #1 WELL PAD AND BEARING N.75°24'E., 2,151.7 FEET DISTANT FROM THE SOUTHWEST CORNER OF SAID SECTION 29.

566.3 FEET = 34.3212 RODS, 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.

RECEIVED
3640
NANCY L. JONES
R.L.S. No. 3640

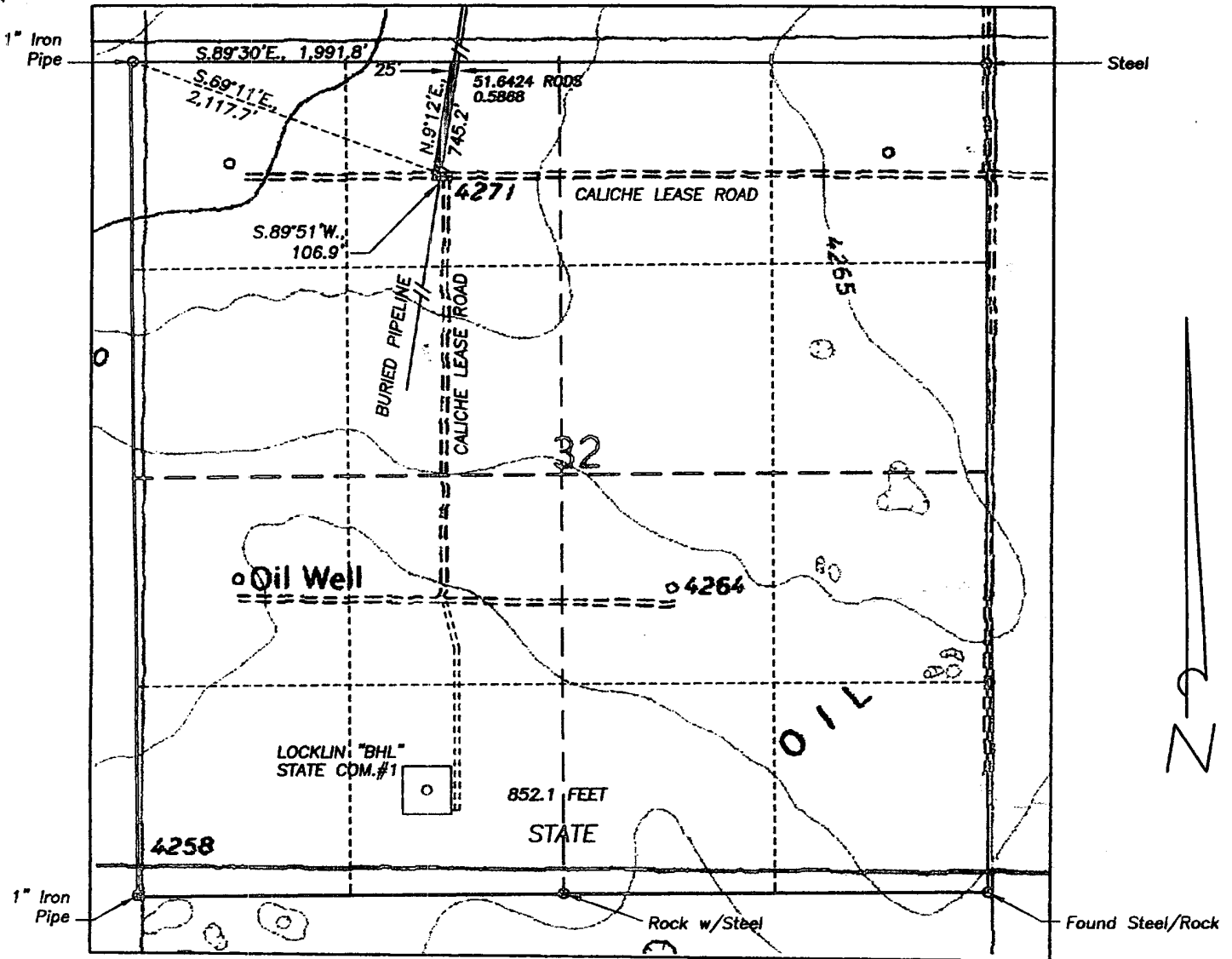
GENERAL SURVEYING COMPANY P.O. BOX 1928
LOVINGTON, NEW MEXICO 88260

YATES PETROLEUM CORP.

LEASE ROAD TO ACCESS THE YATES GRETCHEN "BHX"
FEDERAL #1 WELL, LOCATED IN SECTION 29, TOWNSHIP 9
SOUTH, RANGE 34 EAST, NMPM, LEA COUNTY, NEW MEXICO.

Survey Date: 8/17/2006	Sheet 2 of 2 Sheets
Drawn By: Ed Blevins	W.O. Number
Date: 8/20/06	Scale 1" = 1000' GRETCHEN 1

SECTION 32, TOWNSHIP 9 SOUTH, RANGE 34 EAST, NMPM, LEA COUNTY, NEW MEXICO.



DESCRIPTION:

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

BEGINNING AT A POINT LOCATED S.69°11'E., 2,117.7 FEET DISTANT FROM THE NORTHWEST CORNER OF SECTION 32, TOWNSHIP 9 SOUTH, RANGE 34 EAST, NMPM, LEA COUNTY, NEW MEXICO; THENCE S.89°51'W., 106.9 FEET, ALONG THE CENTERLINE OF AN OLD LEASE ROAD; THENCE N.9°12'E., 745.2 FEET, ALONG AND 25 FEET WEST OF AN EXISTING BURIED PIPELINE TO A POINT LOCATED S.89°30'E., 1,991.8 FEET DISTANT FROM THE NORTHWEST CORNER OF SAID SECTION 32.

SAID TRACT CONTAINS 0.5868 ACRES, MORE OR LESS, ALL OF WHICH LIES IN THE NORTHEAST QUARTER OF THE NORTHWEST QUARTER OF SAID SECTION 32.

852.1 FEET = 51.6424 RODS, 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.

HERSCHEL L. JONES, S.L.S. No. 3640

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

YATES PETROLEUM CORP.

LEASE ROAD TO ACCESS THE YATES GRETCHEN "BHX"
FEDERAL #1 WELL, LOCATED IN SECTION 29, TOWNSHIP 9
SOUTH, RANGE 34 EAST, NMPM, LEA COUNTY, NEW MEXICO.

Survey Date: 8/17/2006	Sheet 1 of 2 Sheets
Drawn By: Ed Blewins	W.O. Number
Date: 8/20/06	Scale 1" = 1000' GRETCHIN 1

DISTRICT I
1635 N. French Dr., Hobbs, NM 88240

DISTRICT II
611 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

Form C-102
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 30-025-38159	Pool Code <input checked="" type="checkbox"/>	Pool Name Wildcat Mississippian
Property Code 36063	Property Name GRETCHEN "BHX" FEDERAL	Well Number 1
OGRID No. 025575	Operator Name YATES PETROLEUM CORPORATION	Elevation 4274

Surface Location

UL or lot No. N	Section 29	Township 9S	Range 34E	Lot Idn	Feet from the 660	North/South line SOUTH	Feet from the 1930	East/West line WEST	County LEA
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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 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

				OPERATOR CERTIFICATION I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief. Signature Clifton R. May Printed Name Regulatory Agent Title December 8, 2005 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. 11/30/2005 Date Surveyed Signature & Seal of Professional Surveyor Certified No. Herschel L. Jones, RES 3640 GRETCHEN 1 GENERAL SURVEYING COMPANY PROFESSIONAL	

YATES PETROLEUM CORPORATION

Gretchen BHX Federal #1

660' FSL and 1930' FWL

Section 29-T9S-R34E

Lea County, New Mexico

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

Rustler	2090'	Strawn	10870'
Yates	2710'	Atoka Shale	11525'
San Andres	3960'		
Glorieta	5400'	Austin	12145'
Tubb	6890'	Chester Lime	12225'
Abo	7760'	Lower Miss, Lime	12309'
Wolfcamp	8960'	TD	12400'

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

Water: 40' to 150'

Oil or Gas: 8960'; 11525'; 12145'; 12309.

3. Pressure Control Equipment: BOPE will be installed on the 9 .625" casing and rated for 5000# 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:

Hole Size	Casing Size	Wt./Ft	Grade	Coupling	Interval	Length
17.5"	13.375"	48#	H-40	ST&C	0-400'	400'
12.25"	9.625"	40#	J-55	ST&C	0-100'	100'
12.25"	9.625"	36#	J-55	ST&C	100-3200'	3100'
12.25"	9.625"	40#	J-55	LT&C	3200-4050'	850'
8.75"	5.5"	17#	L-80	LT&C	0-2900'	2900'
8.75"	5.5"	17#	J-55	LT&C	2900-7500'	4600'
8.75"	5.5"	17#	HCP-110	LT&C	7500-12400'	4900'

1. Minimum Casing Design Factors: Collapse 1.125, Burst 1.0, and Tensile Strength 1.8
2. A 5,000 psi BOP will be nipped up on the 9.625" casing and tested to 5000 psi .

B. CEMENTING PROGRAM:

Surface Casing: 400 sx Class "C" + 2% CaCl₂ (YLD 1.32 WT 15.6).

Intermediate Casing: Lead 1200 sx Lite (YLD 2.01 WT 12.0) and tail in with 200 sx class "C" (YLD 1.32 WT 15.6). Cement circulated to surface.

Production Casing: 1300 sx H (YLD 1.94 WT 12.5). Tail in with 450 sx C (YLD 1.52 WT 13.5). Cement calculated to 3550'.

6. MUD PROGRAM AND AUXILIARY EQUIPMENT:

<u>Interval</u>	<u>Type</u>	<u>Weight</u>	<u>Viscosity</u>	<u>Fluid Loss</u>
0-400	FW Gel/Paper	8.4-8.6	32-34	N/C
400-2090	Fresh Water	9-9.4	32-34	N/C
2090-4050	Red Bed Mud/Oil	10-10.4	32-34	N/C
4050-7700	Cut Brine	9.3-9.6	28-29	N/C
7700-11525	SGel/Oil/Starch	9.6-10	36-40	40-60CC
11525-TD	SGel/Starch/4-6% KCL	9.7-9.9	36-40	20-30CC

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: Platform Express - Hals--from TD to surface casing; BHC/Sonic NGT - TD to surface casing; GR-Neutron to surface.

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: 180 F

9. ANTICIPATED STARTING DATE:

Plans are to drill this well as soon as possible after receiving approval. It should take approximately 60 days to drill the well with completion taking another 20 days.

MULTI-POINT SURFACE USE AND OPERATIONS PLAN
YATES PETROLEUM CORPORATION
Gretchen BHX Federal #1
660' FSL & 1930' FWL
Section 29-T9S-R34E
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 8.5 miles west of Crossroads, New Mexico and the access route to the location is indicated in red and green on Exhibit A.

DIRECTIONS: Go west from Crossroads, NM on Carroll Road for approximately 7.6 miles. Turn south thru cattle guard and go approximately 0.9 of a mile. Turn west and go approximately 0.7 of a mile. The new road will start here and go north approximately 150' to the southwest 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 southwest 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 one sides. No traffic turnouts will be constructed.
- 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 no 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 no 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 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 up to the dirt contractor to locate construction materials. No caliche will be taken from Federal sources without permission.

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:

Private surface belonging to Mr. Shannon Kizer, P. O. Box 56, Pep, New Mexico 88126. His phone number is 505-760-9100. Yates Petroleum Corporation certifies that Mr. Kizer and Yates have reached an agreement as to Yates's operations on this well.

12. OTHER INFORMATION:

A. Topography: Refer to the archaeological report for a description of the topography, flora, fauna, soil characteristics, and cultural sites.

B. The primary surface use is for grazing.

C. There are no inhabited dwellings in the vicinity of the proposed wellsite.

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 am responsible under the terms and conditions of the lease to conduct lease operations in conjunction with the application. Bond coverage pursuant to 43 CFR 3104 for lease activities is being provided by Yates Petroleum Corporation under their nationwide bond, BLM No. 2811.

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.

12/8/2005

Date

Clifton R. May

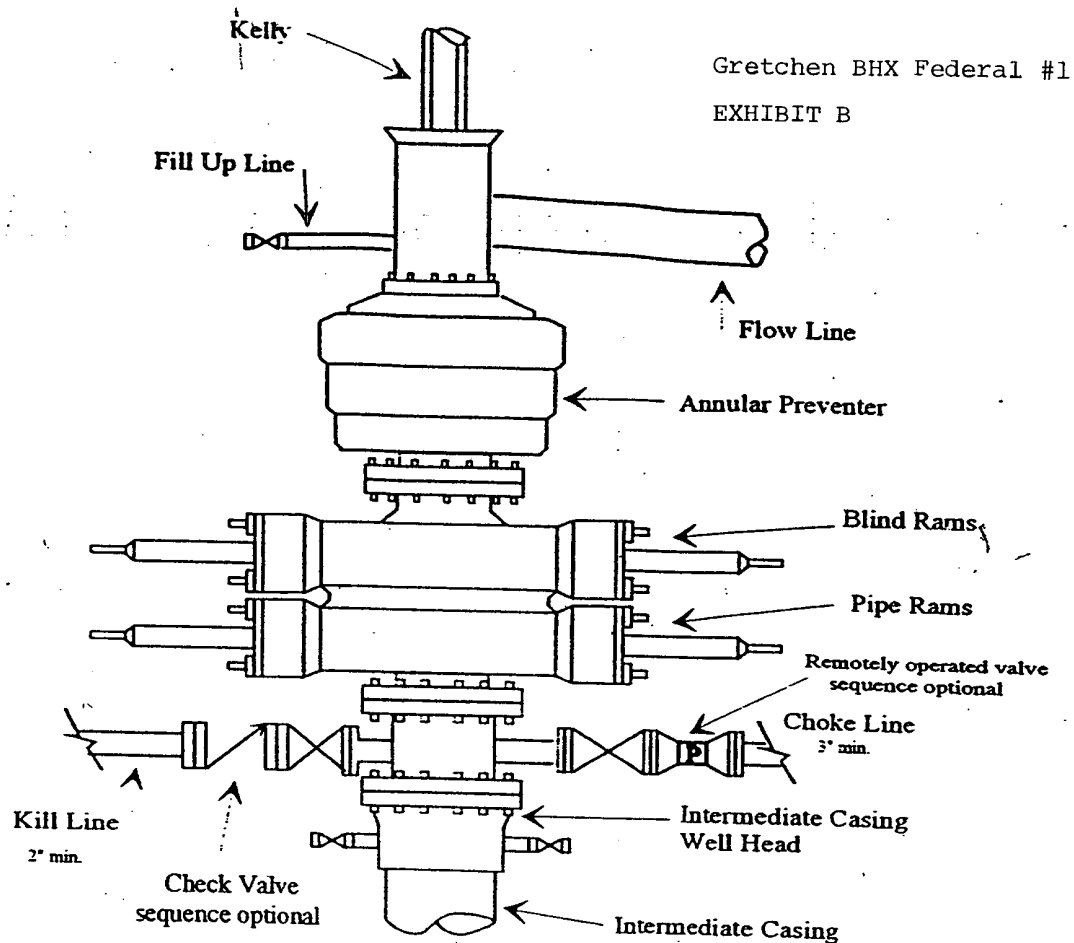
Clifton R. May, Regulatory Agent



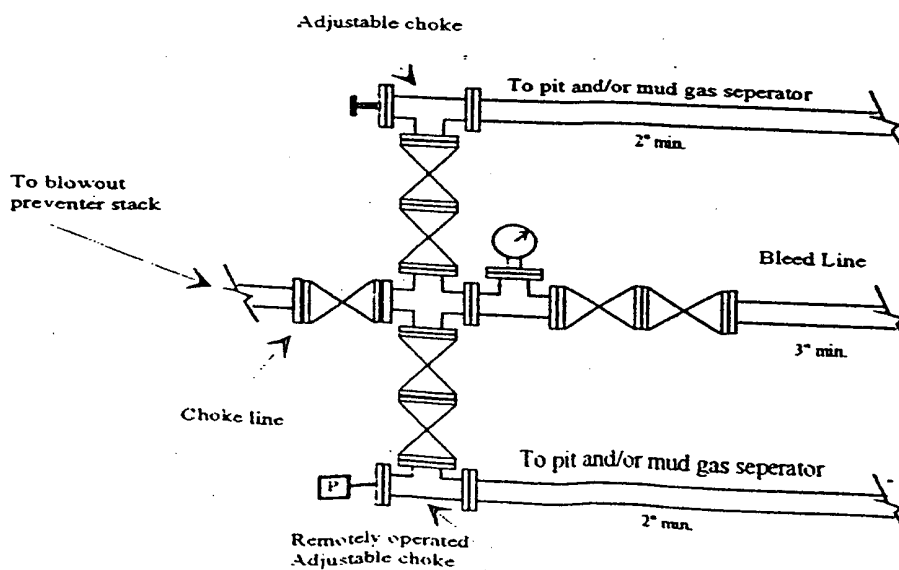
Yates Petroleum Corporation

BOP-4

Typical 5,000 psi Pressure System Schematic Annular with Double Ram Preventer Stack

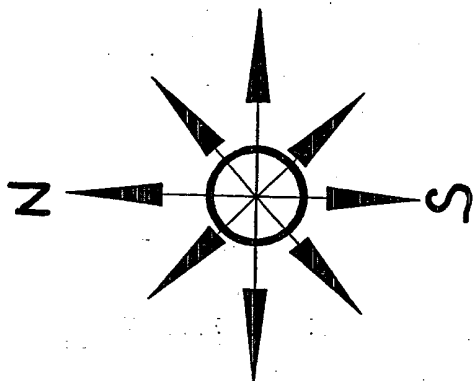


Typical 5,000 psi choke manifold assembly with at least these minimum features



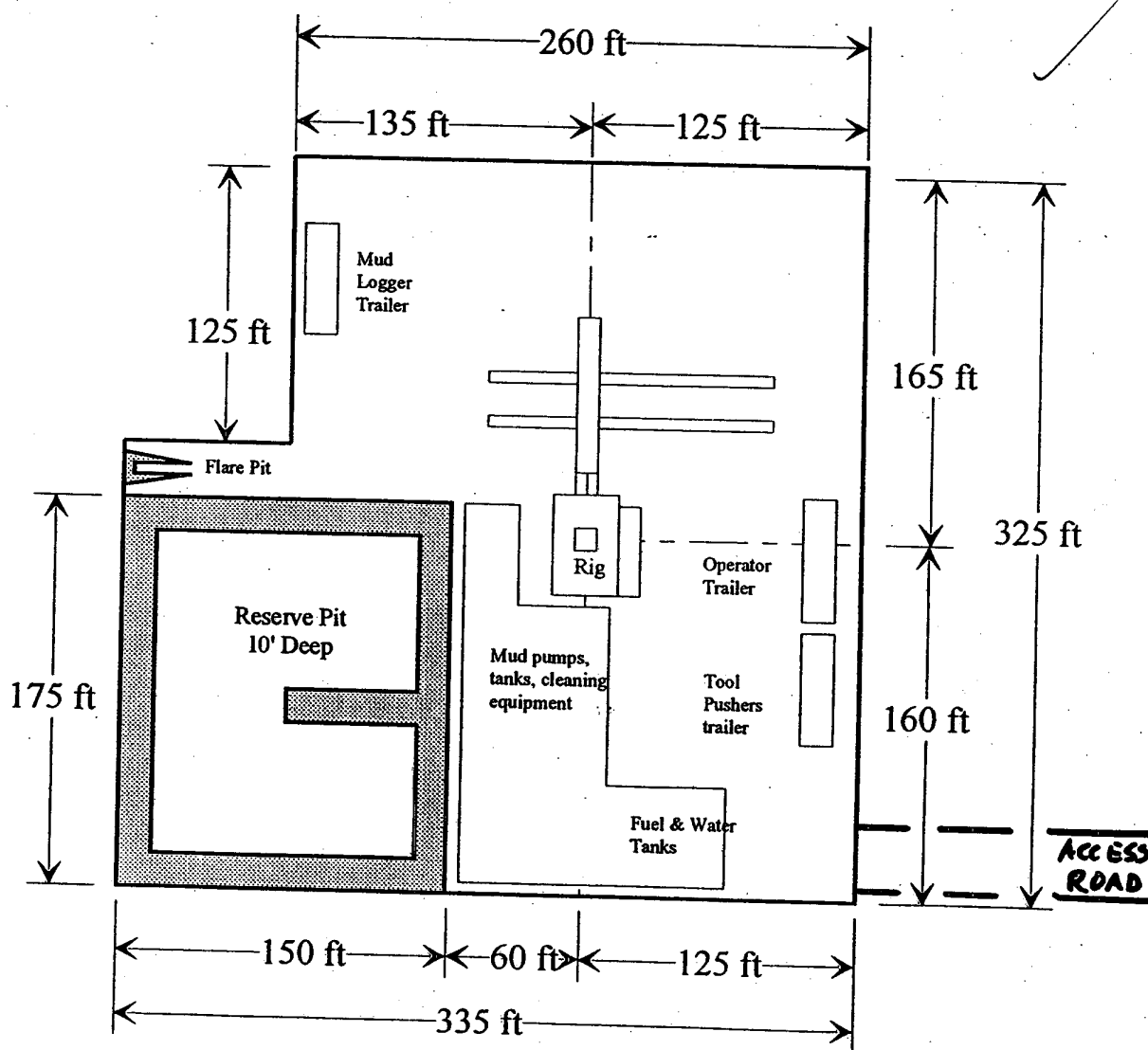
Yates Petroleum Corporation

Location Layout for Permian Basin
Up to 12,000'



Gretchen BHX Federal #1

EXHIBIT C



Distance from Well Head to Reserve Pit will vary between rigs

The above dimension should be a maximum

EXHIBIT D

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

Form C-144
March 12, 2004

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

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: cliff@ypcnm.com
Address: 105 South Fourth Street, Artesia, New Mexico 88210
Facility or well name: Grächen BHX Federal #1 API#: 30-025-38150 U/L or Qtr/Qtr SESW Sec 29 T 9S R 34E
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 type="checkbox"/> Thickness <u>12</u> mil 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.) <u>42'</u>	Less than 50 feetXXXX (20 points)XXXX 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) NoXXXX (0 points) XXXX
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 XXXX (0 points) XXXX
	Ranking Score (Total Points) 20 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: 12/8/05

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.

Pit must be hauled to disposal unless alternative method approved.

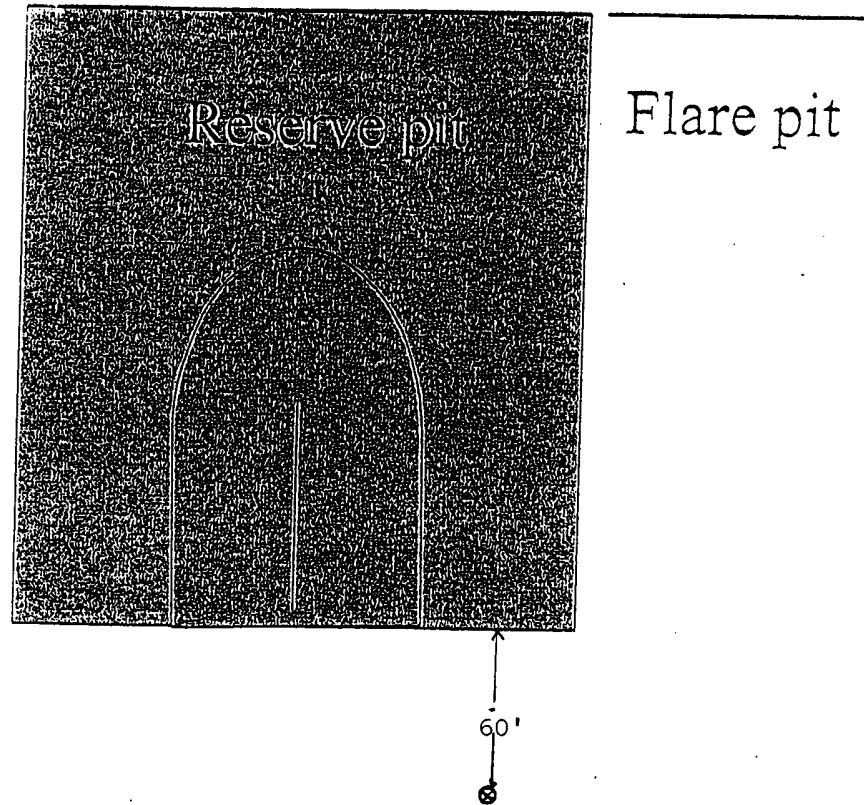
Approval:

Date: 10/6/06

Printed Name/Title Chris Williams/DIST SUPV Signature Chris Williams

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 175' X 150'
and 6' deep with a capacity of 28,000
bbls.



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

CONDITIONS OF APPROVAL - DRILLING

Operator's Name: Yates Petroleum Corporation
Well Name & No: Gretchen BHX Federal No. 01
Location: Surface: 600' FSL & 1930' FWL, Sec.29, T. 09 S., R. 34 E.
Lease: NM 104698
Lea County, New Mexico

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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) 361-2822 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; 5 1/2 inch.

C. BOP Tests

2. A Hydrogen Sulfide (H₂S) Drilling Plan is not required for this wellbore. The operator shall confirm that all rig personnel has had training in H₂S safety awareness. H₂S possible in the San Andres formation approximately 4000 ft.

3. 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.

4. 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.

5. 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 shall be set at 400 Feet with 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 9 5/8 inch Intermediate casing is to circulate to surface.

3. The minimum required fill of cement behind the 5 1/2 inch Production casing is to Tie Back to the 9 5/8 " casing shoe by at least 200 ft.

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 5 M psi on or before drilling below the 9 5/8 " casing shoe. A 2 M BOPE shall be the minimum control equipment utilized on the 13 5/8 inch casing.

3. The appropriate BLM office shall be notified in sufficient time for a representative to witness the test.

- The test 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 safe workman-like manner. Hard line connections shall be required.
- Both low pressure and high pressure testing of BOPE is required.

G Gourley 1/23/06

ALTERNATIVE CONDITIONS OF APPROVAL - DRILLING

Drilling Fluids, Casing and Cementing Requirements for Most of Lea County:

Casing and Cementing

Surface casing is to be set at a sufficient depth to protect useable water zones and cement circulated to surface. In areas where the salt section (Salado) is present, surface casing should be set at least 25 feet into the top of the Rustler Anhydrite and cement circulated to the surface.

As an alternative, surface casing may be set through the Santa Rosa Formation or other potable water bearing zones and circulate cement to surface. For wells requiring an intermediate casing string, such string shall be cemented to the ground surface. In the case where intermediate casing is not required the operator shall case and cement the production hole to the ground surface.

While drilling from the surface casing to the Rustler formation it is recommended that operators periodically sweep the hole with viscous low water loss pills to help build a filter cake across useable water zones in the redbeds.

Drilling Fluid

Fresh water or fresh water spud mud shall be used to drill to surface casing depth. If surface casing is set at a lesser depth than the top of the Rustler formation, fresh water spud mud may be used to drill down to the first salt in the Rustler Formation. after which brine or fresh water may be used.

Non-toxic or biodegradable water based polymers, drilling paper, starch and gels may be used in the mud system in order to retard seepage into the redbeds.

Two to five percent diesel or crude oil may be used in the redbed section in order to control heaving shales and mudstones.

Caustics and Lime shall not be used in the red beds but may be added when the Rustler formation is reached. However, sodium carbonate may be used for alkalinity or ph control while drilling the redbeds above the Rustler formation.

Additionally, questions of whether an additive may be used should be referred to the Roswell Field office.