

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

OCD-HOBBS

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

APPLICATION FOR PERMIT TO DRILL OR REENTER R-111-POTASH

1a. Type of Work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. <b>NM-63016</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>Yates Petroleum Corporation</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>Belco AIA Federal 2#</b>	
3b. Phone No. (include area code) <b>(505) 748-1471</b>		9. API Well No. <b>30-025-38527</b>	
4. Location of Well (Report location clearly and in accordance with any State requirements.)* <b>330' FSL &amp; 660' Pilot Hole</b>		10. Field and Pool, or Exploratory <b>Salt Lake Wildcat Delaware</b>	
At surface <b>330' FSL &amp; 660' FSL</b>		11. Sec., T., R., M., or Blk, and Survey or Area <b>Section 14-T20S-R32E</b>	
At proposed prod. Zone <b>330' FNL &amp; 660' FNL Bottom Hole</b>		12. County or Parish <b>Lea</b>	
14. Distance in miles and direction from nearest town or post office* <b>Carbon Controlled Water Basin</b>		13. State <b>NM</b>	
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) <b>330'</b>		16. No. of Acres in lease <b>640</b>	
17. Spacing Unit dedicated to this well <b>W/2W/2</b>		18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. <b>5400'</b>	
19. Proposed Depth <b>5400'</b>		20. BLM/BIA Bond No. on file <b>NM-2811</b>	
21. Elevations (Show whether DF, KDB, RT, GL, etc.) <b>3529' 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 <b>Clifton R. May</b>	Name (Printed/Typed) <b>Clifton R. May</b>	Date <b>10/16/2005</b>
-------------------------------------	---	---------------------------

Regulatory Agent

Approved by (Signature) <b>/s/ Linda S. C. Rundell</b>	Name (Printed/Typed) <b>/s/ Linda S. C. Rundell</b>	Date <b>OCT 10 2005</b>
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Title <b>STATE DIRECTOR</b>	Office <b>NM STATE OFFICE</b>
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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

Witness Surface &  
Intermediate Casing

APPROVAL SUBJECT TO  
GENERAL REQUIREMENTS AND  
SPECIAL STIPULATIONS  
ATTACHED

## DISTRICT I

1625 N. French Dr., Hobbs, NM 88240

## DISTRICT II

811 South First, Artesia, NM 88210

## DISTRICT III

1090 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 30-025-38527	Pool Code 53565	Pool Name Salt Lake Wildcat Delaware
Property Code 12027	Property Name BELCO "AIA" FEDERAL	Well Number 2H
OGED No. 025575	Operator Name YATES PETROLEUM CORPORATION	Elevation 3532

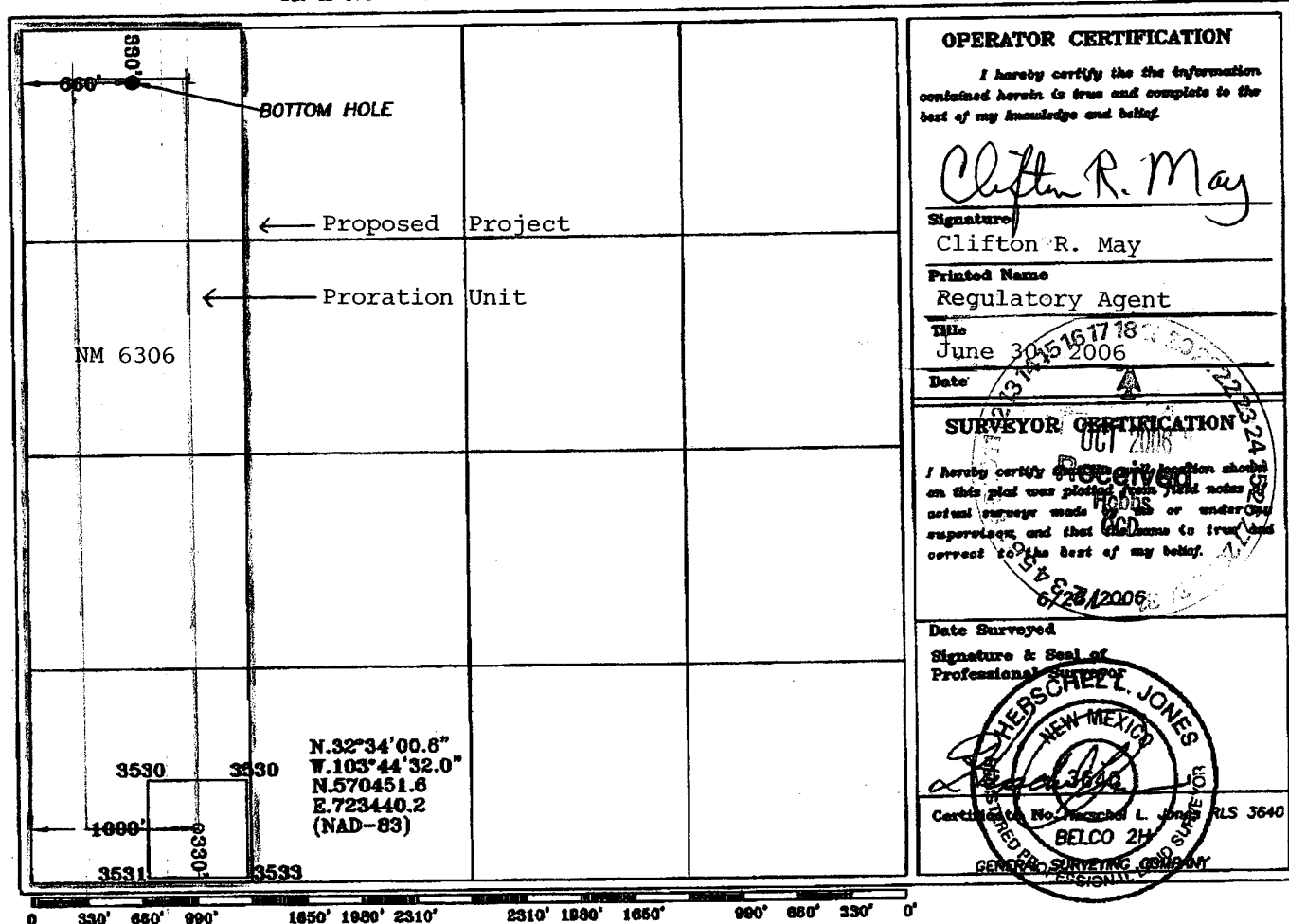
## Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
M	14	20S	32E		330	SOUTH	1000	WEST	LEA

## 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
D	14	20S	32E		330	NORTH	660	WEST	LEA
Dedicated Acres 160	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



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)

330' FSL &amp; 1000' FWL; Ut. Ltr. M; Section 14-T20S-R32E

## 5. Lease Serial No.

NM-63016

## 6. If Indian, Allottee or Tribe Name

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

## 8. Well Name and No.

Belco AIA Federal #2H

## 9. API Well No.

30-025-38527

## 10. Field and Pool, or Exploratory Area

Salt Lake Wildcat Delaware

## 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 Move

location

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 recompleat 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 recompleat 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 move this well from the original staked surface location of 330' FSL & 1000' FWL to new footages for the surface location of 330' FSL & 1000' FWL. The bottom hole location is the same at 330' FNL & 660' FWL. Attached is a new C-102 location plat. Also, there are new exhibits for horizontal drilling information.



## 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

June 30, 2006

## THIS SPACE FOR FEDERAL OR STATE USE

Approved by

/s/ Linda S. C. Rundell

STATE DIRECTOR

Date

OCT 10 2005

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

NM STATE OFFICE

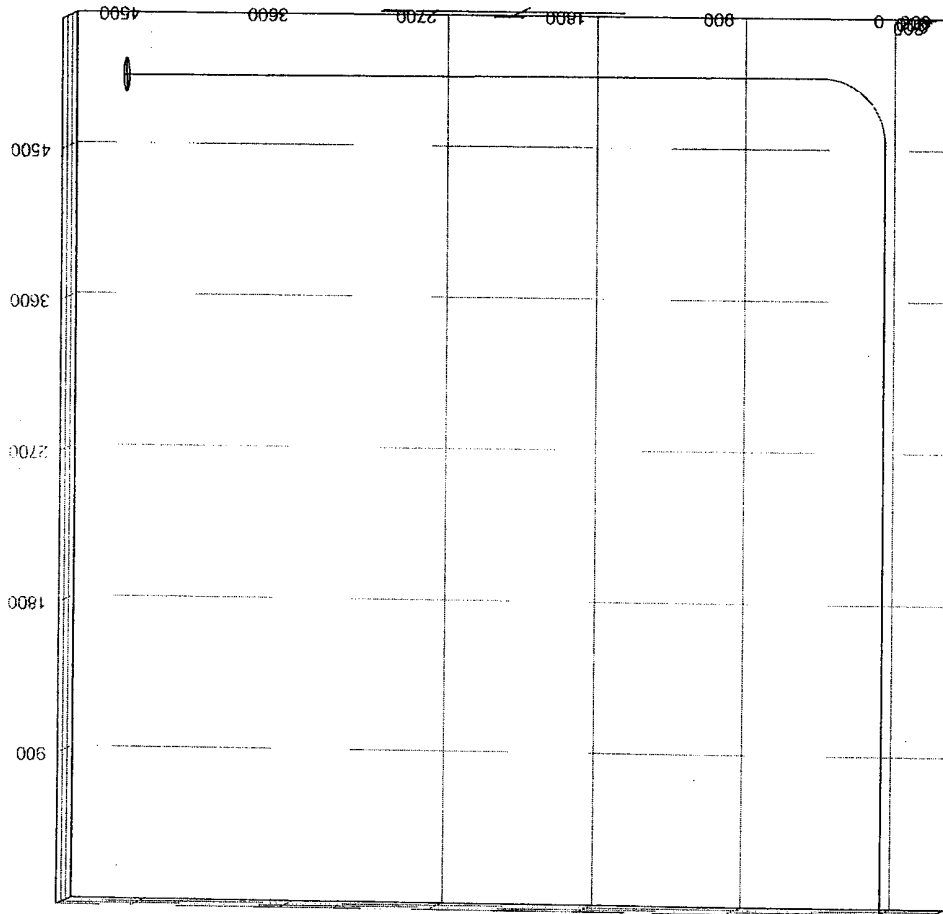
Title 18 U.S.C. Section 1001, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

(Instructions on reverse)

	M.D. [ft]	Inclination [°]	Azimuth [°]	T.V.D. [ft]	N+/S- [ft]	E+/W- [ft]	D.L.S. [°/100ft]	ToolFace [°]	T.F. Ref. [HS/GN]
1	0.00	0.00	0.00	0.00	0.00	0.00	0.00		
2	4569.00	0.00	0.00	4569.00	0.00	0.00	15.00	356	GN
3	4575.00	0.90	355.79	4575.00	0.05	0.00	15.00	0	HS
4	4600.00	4.65	355.79	4599.97	1.25	-0.09	15.00	360	HS
5	4625.00	8.40	355.79	4624.80	4.09	-0.30	15.00	360	HS
6	4650.00	12.15	355.79	4649.39	8.53	-0.63	15.00	0	HS
7	4675.00	15.90	355.79	4673.65	14.57	-1.07	15.00	360	HS
8	4700.00	19.65	355.79	4697.45	22.18	-1.63	15.00	0	HS
9	4725.00	23.40	355.79	4720.70	31.33	-2.31	15.00	0	HS
10	4750.00	27.15	355.79	4743.30	41.97	-3.09	15.00	0	HS
11	4775.00	30.90	355.79	4765.16	54.07	-3.98	15.00	0	HS
12	4800.00	34.65	355.79	4786.18	67.56	-4.97	15.00	0	HS
13	4825.00	38.40	355.79	4806.26	82.40	-6.06	15.00	360	HS
14	4850.00	42.15	355.79	4825.33	98.52	-7.25	15.00	0	HS
15	4875.00	45.90	355.79	4843.30	115.84	-8.53	15.00	360	HS
16	4900.00	49.65	355.79	4860.10	134.30	-9.88	15.00	360	HS
17	4925.00	53.40	355.79	4875.65	153.82	-11.32	15.00	0	HS
18	4950.00	57.15	355.79	4889.89	174.30	-12.83	15.00	0	HS
19	4975.00	60.90	355.79	4902.76	195.68	-14.40	15.00	360	HS
20	5000.00	64.65	355.79	4914.19	217.84	-16.03	15.00	0	HS
21	5025.00	68.40	355.79	4924.15	240.71	-17.71	15.00	0	HS
22	5050.00	72.15	355.79	4932.58	264.17	-19.44	15.00	0	HS
23	5075.00	75.90	355.79	4939.46	288.14	-21.21	15.00	0	HS
24	5100.00	79.65	355.79	4944.76	312.50	-23.00	15.00	0	HS
25	5125.00	83.40	355.79	4948.44	337.16	-24.81	15.00	360	HS
26	5150.00	87.15	355.79	4950.50	362.00	-26.64	15.00	360	HS
27	5171.79	90.42	355.79	4950.96	383.72	-28.24	0.00		
28	9419.63	90.42	355.79	4920.00	4620.00	-340.00	0.00		

# 3D<sup>s</sup> Directional Drilling Planner - 3D View

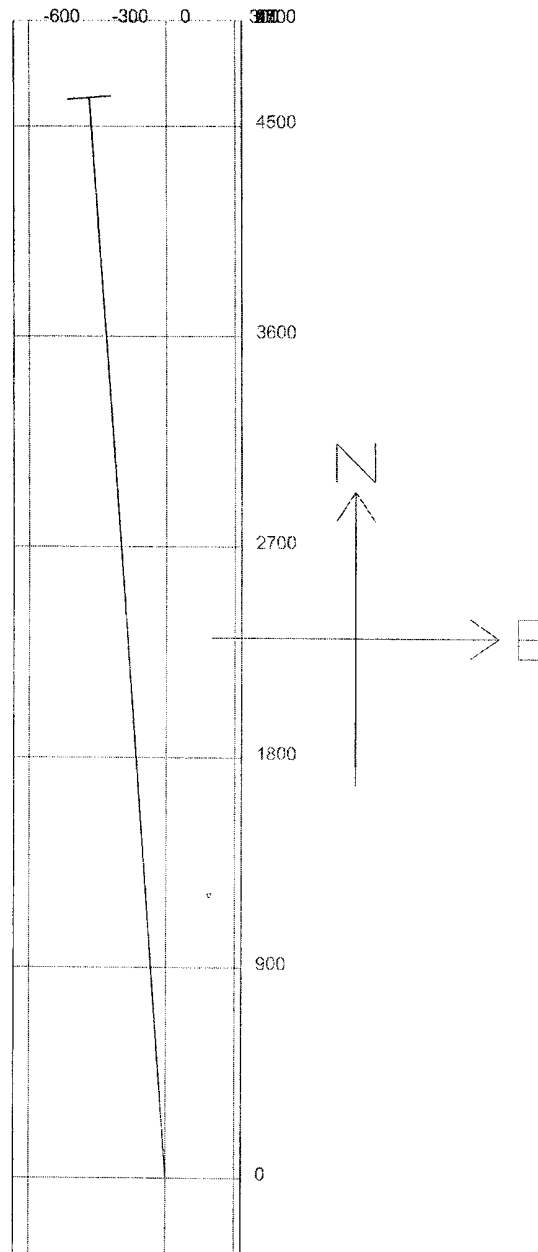
Company: Technical Toolboxes Inc.  
Well: Belco AIA Federal #2H



# 3D<sup>3</sup> Directional Drilling Planner - 3D View

Company: Technical Toolboxes Inc.

Well: Belco AIA Federal #2H





Mosaic Potash Carlsbad Inc.  
PO Box 71  
1361 Potash Mines Road  
Carlsbad, NM 88220  
www.mosaicco.com

Tel 505-887-2871  
Fax 505-887-0589

May 19, 2006

**RECEIVED**

MAY 25 2006

**MAIL ROOM**

Mr. Clifton R. May  
Regulatory Agent  
Yates Petroleum Corporation  
105 South Fourth Street  
Artesia, NM 88210-2118

Dear Mr. May:

We are in receipt of your letter dated May 12, 2006 concerning an APD for Delaware test well in Section 14, T-20-S, R-32-E. Mosaic Potash Carlsbad Inc. does have a potash lease that includes all of that Section.

Your current request is to drill the Belco AIA Federal #2-H test well from a surface location 330' FSL and 660' FWL of Section 14. This location is within ¼ mile of Mosaic Potash's LMR as designated in accordance with NMOCC Order R-111-P. This area is designated as measured ore on the BLM Enclave map and does contain valuable sylvite reserves. Finally, this location is within 330 feet of a denied location currently being litigated by Yates before the IBLA. Although Mosaic greatly favors the use of directional drilling to develop oil fields near potash; for each of the reasons above, Mosaic must object to this particular location for any oil or gas test well.

As more information becomes available, our estimates of the extent of potash resources in any given area may change. If you are still considering these well locations at a date later than one year from today, notify us again at that time so we can make a new decision on information current at that time. Do not consider a "no objection offered" or an "objection offered" decision to be permanent.

Drilling the well applied for by Yates constitutes a hazard to proposed mining in this area. Mosaic Potash Carlsbad Inc. objects the drilling of this well in Section 14, T20S, R32E. Mosaic Potash submits this letter in addition to the form requested.

Sincerely,

Dan Morehouse  
Mine Engineering Superintendent

TALKED TO MR. MAY —  
5/24/2006 RESENT IN CASE FIRST SENT  
LETTER NOT RECEIVED

cc: Don Purvis                      David Waugh  
     Craig Cranston                Tim Gum

5/25/06 TO RANDY PATTERSON

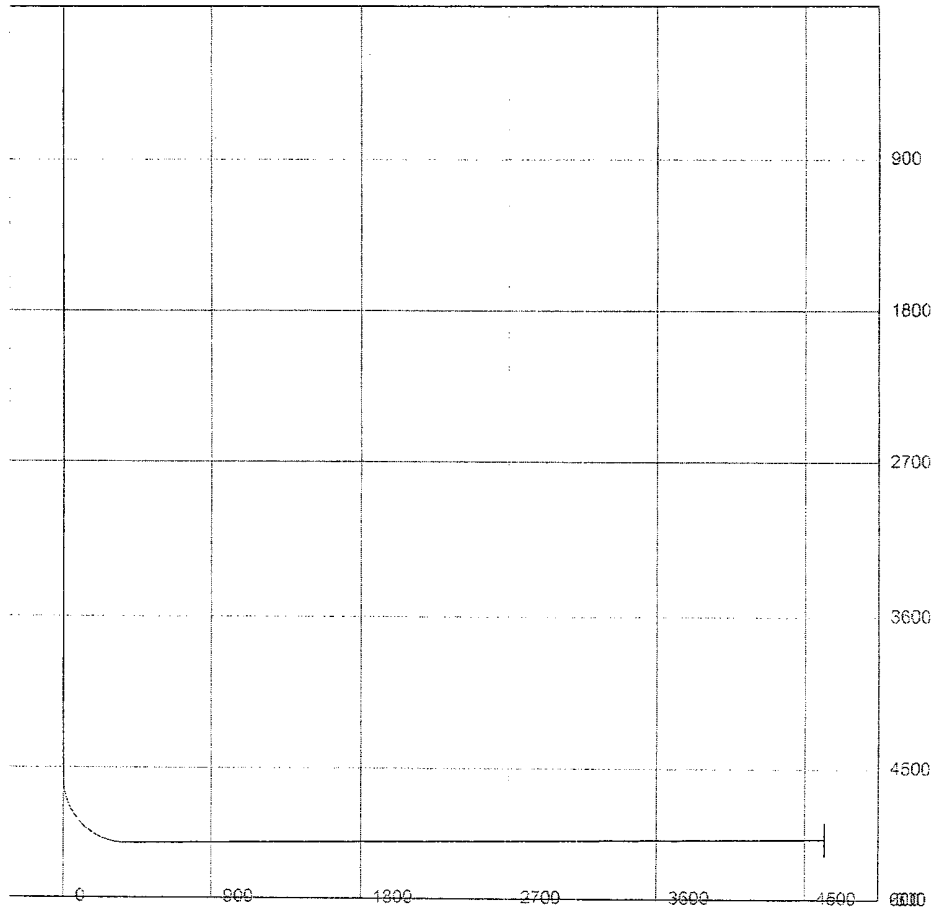
	M.D. [ft]	Inclination [°]	Azimuth [°]	T.V.D. [ft]	N+/S- [ft]	E+/W- [ft]	D.L.S. [°/100ft]	ToolFace [°]	T.F. Ref. [HS/GN]
1	0.00	0.00	0.00	0.00	0.00	0.00	0.00		
2	4569.00	0.00	0.00	4569.00	0.00	0.00	15.00	0	GN
3	4570.00	0.15	0.00	4570.00	0.00	0.00	15.00	0	HS
4	4580.00	1.65	0.00	4580.00	0.16	0.00	15.00	0	HS
5	4590.00	3.15	0.00	4589.99	0.58	0.00	15.00	0	HS
6	4600.00	4.65	0.00	4599.97	1.26	0.00	15.00	0	HS
7	4610.00	6.15	0.00	4609.92	2.20	0.00	15.00	0	HS
8	4620.00	7.65	0.00	4619.85	3.40	0.00	15.00	0	HS
9	4630.00	9.15	0.00	4629.74	4.86	0.00	15.00	0	HS
10	4640.00	10.65	0.00	4639.59	6.58	0.00	15.00	0	HS
11	4650.00	12.15	0.00	4649.39	8.56	0.00	15.00	0	HS
12	4660.00	13.65	0.00	4659.14	10.79	0.00	15.00	0	HS
13	4670.00	15.15	0.00	4668.83	13.28	0.00	15.00	0	HS
14	4680.00	16.65	0.00	4678.44	16.02	0.00	15.00	0	HS
15	4690.00	18.15	0.00	4687.99	19.01	0.00	15.00	0	HS
16	4700.00	19.65	0.00	4697.45	22.24	0.00	15.00	0	HS
17	4710.00	21.15	0.00	4706.82	25.73	0.00	15.00	0	HS
18	4720.00	22.65	0.00	4716.10	29.46	0.00	15.00	0	HS
19	4730.00	24.15	0.00	4725.28	33.43	0.00	15.00	0	HS
20	4740.00	25.65	0.00	4734.35	37.64	0.00	15.00	0	HS
21	4750.00	27.15	0.00	4743.30	42.09	0.00	15.00	0	HS
22	4760.00	28.65	0.00	4752.14	46.77	0.00	15.00	0	HS
23	4770.00	30.15	0.00	4760.85	51.68	0.00	15.00	0	HS
24	4780.00	31.65	0.00	4769.43	56.81	0.00	15.00	0	HS
25	4790.00	33.15	0.00	4777.88	62.17	0.00	15.00	0	HS
26	4800.00	34.65	0.00	4786.18	67.75	0.00	15.00	0	HS
27	4810.00	36.15	0.00	4794.33	73.54	0.00	15.00	0	HS
28	4820.00	37.65	0.00	4802.32	79.54	0.00	15.00	0	HS
29	4830.00	39.15	0.00	4810.16	85.76	0.00	15.00	0	HS
30	4840.00	40.65	0.00	4817.83	92.17	0.00	15.00	0	HS
31	4850.00	42.15	0.00	4825.33	98.78	0.00	15.00	0	HS
32	4860.00	43.65	0.00	4832.66	105.59	0.00	15.00	0	HS
33	4870.00	45.15	0.00	4839.80	112.59	0.00	15.00	0	HS
34	4880.00	46.65	0.00	4846.76	119.77	0.00	15.00	0	HS
35	4890.00	48.15	0.00	4853.53	127.13	0.00	15.00	0	HS
36	4900.00	49.65	0.00	4860.10	134.66	0.00	15.00	0	HS



	M.D. [ft]	Inclination [°]	Azimuth [°]	T.V.D. [ft]	N+/S- [ft]	E+/W- [ft]	D.L.S. [°/100ft]	ToolFace [°]	T.F. Ref. [HS/GN]
37	4910.00	51.15	0.00	4866.48	142.37	0.00	15.00	0	HS
38	4920.00	52.65	0.00	4872.65	150.24	0.00	15.00	0	HS
39	4930.00	54.15	0.00	4878.61	158.27	0.00	15.00	0	HS
40	4940.00	55.65	0.00	4884.36	166.45	0.00	15.00	0	HS
41	4950.00	57.15	0.00	4889.89	174.78	0.00	15.00	0	HS
42	4960.00	58.65	0.00	4895.21	183.25	0.00	15.00	0	HS
43	4970.00	60.15	0.00	4900.30	191.85	0.00	15.00	0	HS
44	4980.00	61.65	0.00	4905.16	200.59	0.00	15.00	0	HS
45	4990.00	63.15	0.00	4909.79	209.45	0.00	15.00	0	HS
46	5000.00	64.65	0.00	4914.19	218.43	0.00	15.00	0	HS
47	5010.00	66.15	0.00	4918.35	227.53	0.00	15.00	0	HS
48	5020.00	67.65	0.00	4922.28	236.72	0.00	15.00	0	HS
49	5030.00	69.15	0.00	4925.96	246.02	0.00	15.00	0	HS
50	5040.00	70.65	0.00	4929.39	255.41	0.00	15.00	0	HS
51	5050.00	72.15	0.00	4932.58	264.89	0.00	15.00	0	HS
52	5060.00	73.65	0.00	4935.52	274.45	0.00	15.00	0	HS
53	5070.00	75.15	0.00	4938.21	284.08	0.00	15.00	0	HS
54	5080.00	76.65	0.00	4940.65	293.78	0.00	15.00	0	HS
55	5090.00	78.15	0.00	4942.83	303.54	0.00	15.00	0	HS
56	5100.00	79.65	0.00	4944.76	313.35	0.00	15.00	0	HS
57	5110.00	81.15	0.00	4946.42	323.21	0.00	15.00	0	HS
58	5120.00	82.65	0.00	4947.83	333.11	0.00	15.00	0	HS
59	5130.00	84.15	0.00	4948.98	343.04	0.00	15.00	0	HS
60	5140.00	85.65	0.00	4949.87	353.00	0.00	15.00	0	HS
61	5150.00	87.15	0.00	4950.50	362.98	0.00	15.00	0	HS
62	5160.00	88.65	0.00	4950.87	372.97	0.00	15.00	0	HS
63	5170.00	90.15	0.00	4950.97	382.97	0.00	15.00	0	HS
64	5171.80	90.42	0.00	4950.96	384.77	0.00	0.00		
65	9407.14	90.42	0.00	4920.00	4620.00	0.00	0.00		

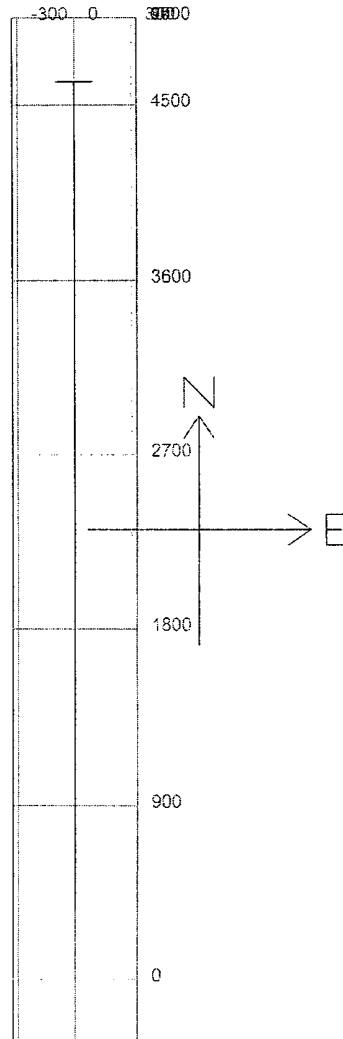
# 3D<sup>3</sup> Directional Drilling Planner - 3D View

Company: **Technical Toolboxes Inc.**  
Well: **Belco AIA Federal #2H**



### 3D<sup>3</sup> Directional Drilling Planner - 3D View

Company: Technical Toolboxes Inc.  
Well: Belco AIA Federal #2H



**YATES PETROLEUM CORPORATION**  
**Belco AIA Federal #2H**  
330' FSL & 660' FWL (Pilot Hole)  
330' FNL & 660' FWL (Bottom Hole)  
Section 14-T20S-R32E  
Lea County, New Mexico

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

Rustler	1200'	Cherry Canyon	4850'
Capitan Reef	3500'	Belco Sand	4925'
Delaware	4750'	TD	5400'
2. The estimated depths at which anticipated water, oil or gas formations are expected to be encountered:

Water: 125'

Oil or Gas: All potential formations.
3. Pressure Control Equipment: BOPE will be installed on the 13 3/8 and 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>
	26"	20"	106.5#	J-55	ST&C	0-300'	300'
	26"	20"	94#	H-40	ST&C	300'-1100'	800'
	26"	20"	106.5#	J-55	ST&C	1100'-1200'	100'
Witness Surface & Intermediate Casing	17.5"	13.325"	61#	HCK-55	ST&C	0-1650'	1650'
	17.5"	13.325"	54.5#	J-55	ST&C	1650-3350'	1700'
	17.5"	13.325"	61#	J-55	ST&C	3350-3450'	100'
	12.25"	8.625"	32#	J-55	ST&C	0-4820'	4820'
	7.875"	5.5"	20#	P-110	LT&C	0-300'	300'
	7.875"	5.5"	17#	HCP	LT&C	300-9407'	9107'

1. Minimum Casing Design Factors: Collapse 1.125, Burst 1.0, and Tensile Strength 1.8
2. A 3,000 psi BOP will be nipped up on the 13 3/8" and 8 5/8" casing and tested to 3000 psi.

B. **CEMENTING PROGRAM:**

Surface Casing: Cement with 1600 sx C Lite (YLD 2.0 WT 14.8). Tail in with 350 sx class "C" (YLD 1.32 WT 14.8). TOC-Surface

Intermediate Casing: 2250 SX C lite (YLD 2.0WT 12.50) and tail in with 200 sx class C (YLD 1.32 WT 14.8). TOC-Surface.

Intermediate Casing 2: 1850 SX C Lite (YLD 2 WT 12.5) and tail in with 200 SX C (YLD 1.32 WT 14.8)

Production Casing: 1350 SX H (YLD 1.36 WT 13). TOC 4050'.

5. MUD PROGRAM AND AUXILIARY EQUIPMENT:

<u>Interval</u>	<u>Type</u>	<u>Weight</u>	<u>Viscosity</u>	<u>Fluid Loss</u>
0-1200'	Fresh Water	8.4-8.90	32-34	N/C
1200'-3450'	Brine Water	10.0-10.0	28-29	N/C
3450'-4820'	Fresh Water	8.4-8.4	28-28	N/C
4820'-9407'	Cut Brine	8.6-8.7	28-29	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. Rig personnel will check mud hourly.

6. EVALUATION PROGRAM:

Samples: 10' samples out from under surface casing.  
Logging: Platform Express-CMR FMI for dips  
Coring: None  
DST's: As warranted

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

Anticipated BHP:

From: 0	TO: 1200'	Anticipated Max. BHP: 555 PSI
From: 1200'	TO: 3500'	Anticipated Max. BHP: 1820 PSI
From: 3500	TO: 4800'	Anticipated Max. BHP: 2100 PSI
From: 4800'	TO: 9407'	Anticipated Max. BHP: 2445 PSI

Abnormal Pressures Anticipated: None

Lost Circulation Zones Anticipated: None.

H2S Zones Anticipated: None Anticipated

Maximum Bottom Hole Temperature: 99 F

8. ANTICIPATED STARTING DATE:

Plans are to drill this well as soon as possible after receiving approval. It should take approximately 45 days to drill the well with completion taking another 40 days.

**MULTI-POINT SURFACE USE AND OPERATIONS PLAN**  
**YATES PETROLEUM CORPORATION**  
**Belco AIA Federal #2H**  
330' FSL & 660' FWL (Pilot Hole)  
330' FNL & 660' FWL (Bottom Hole)  
Section 14-T20S-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 50 miles east of Carlsbad, New Mexico and the access route to the location is indicated in red and green on Exhibit A.

DIRECTIONS:

Take 62/180 (Hobbs Highway) east out of Carlsbad, New Mexico to the Halfway Watering Hole. Continue east on 62/180 for approximately 2.4 miles to Laguna Road. Turn north on Laguna Road for approximately 0.5 of a mile to Hydra Lane. Turn west on Hydra Lane and go approximately 1 mile. The new road will start here and go in a southeast direction and then west to the southeast corner of the pad.

2. PLANNED ACCESS ROAD:

- A. The proposed new access will be approximately 0.5 mile in length from the point of origin to the southeast corner of the drilling pad.
- B. The new road will be 14 feet in width (driving surface) and will be adequately drained to control runoff and soil erosion.
- C. The new road will be bladed with drainage on both sides. One traffic turnout may be needed.
- D. The route of the road is visible.
- E. Existing roads will be maintained in the same or better condition.

3. LOCATION OF EXISTING WELL:

- A. There is drilling activity within a one-mile radius of the well site.
- B. Exhibit D shows existing wells within a one-mile radius of the proposed well site.

4. LOCATION OF EXISTING AND/OR PROPOSED FACILITIES:

- A. There are production facilities on this lease at the present time.
- B. In the event that the well is productive, the necessary production facilities will be installed on the drilling pad. If the well is productive oil, a gas or diesel self-

contained unit will be used to provide the necessary power. No power will be required if the well is a producing gas well.

5. LOCATION AND TYPE OF WATER SUPPLY:

- A. It is planned to drill the proposed well with a 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:

The dirt contractor will be responsible for finding a source of material for construction of road and pad and will obtain any permits that may be required.

7. METHODS OF HANDLING WASTE DISPOSAL:

- A. Drill cuttings will be disposed of in the reserve pits.
- B. The reserve pits will be constructed and reclamation done according to NMOCD guidelines.
- 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:

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.  
Note: Pits to North.

- A. The reserve pits will be plastic lined with 12 mil.
- B. A 600' x 600' area has been staked and flagged.

10. PLANS FOR RESTORATION:

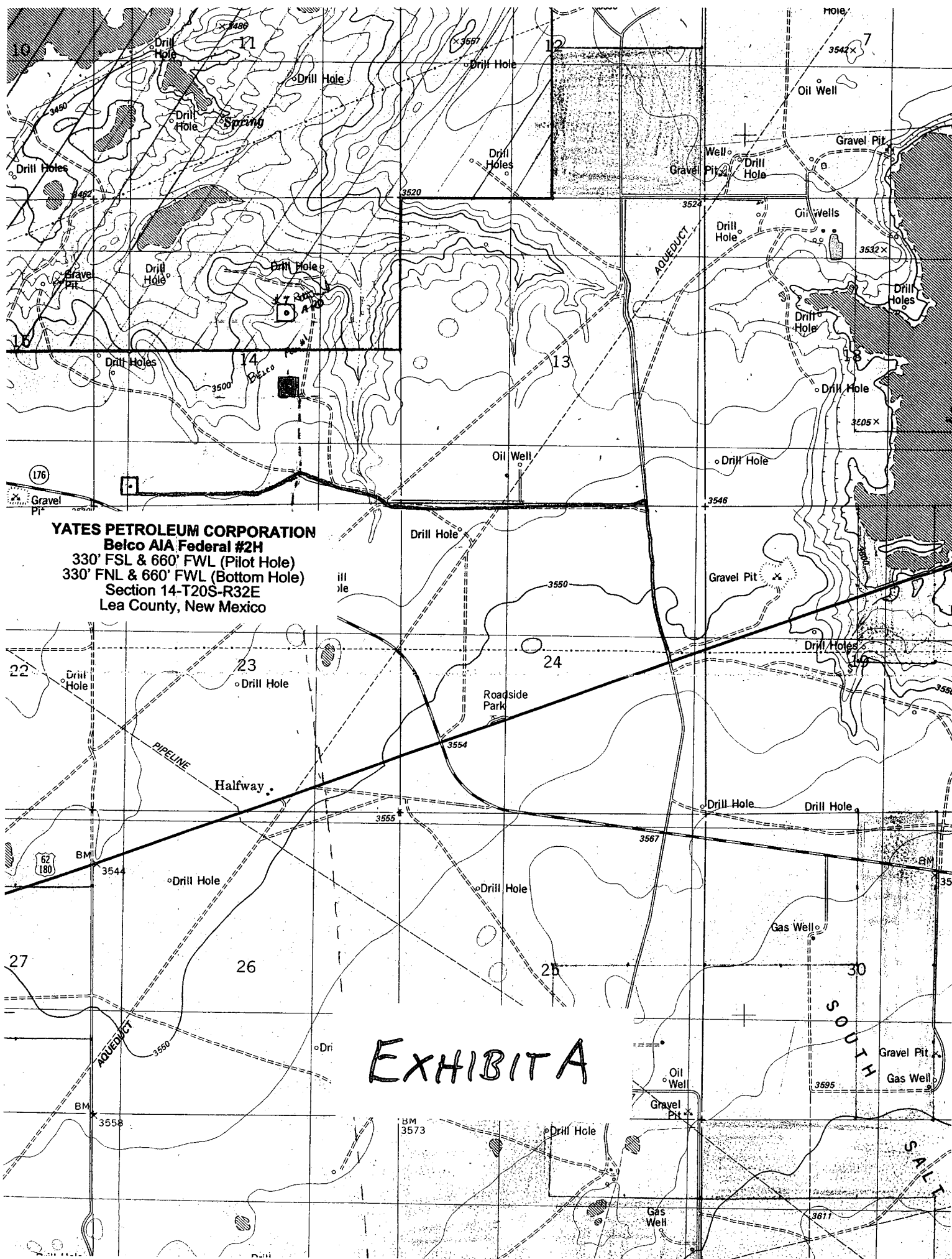
- A. After finishing drilling and/or completion operations, all equipment and other material not needed for further operations will be removed. The location will be cleaned of all trash and junk to leave the well site in as aesthetically pleasing a condition as possible.
- B. Unguarded pits, if any, 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 as required by the Oil Conservation Division.

11. SURFACE OWNERSHIP:  
Federal lands administrated by the Bureau of Land Management.
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.

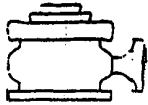
  
\_\_\_\_\_  
Clifton R. May, Regulatory Agent





**YATES PETROLEUM CORPORATION**  
**Belco AIA Federal #2H**  
330' FSL & 660' FWL (Pilot Hole)  
330' FNL & 660' FWL (Bottom Hole)  
Section 14-T20S-R32E  
Lea County, New Mexico

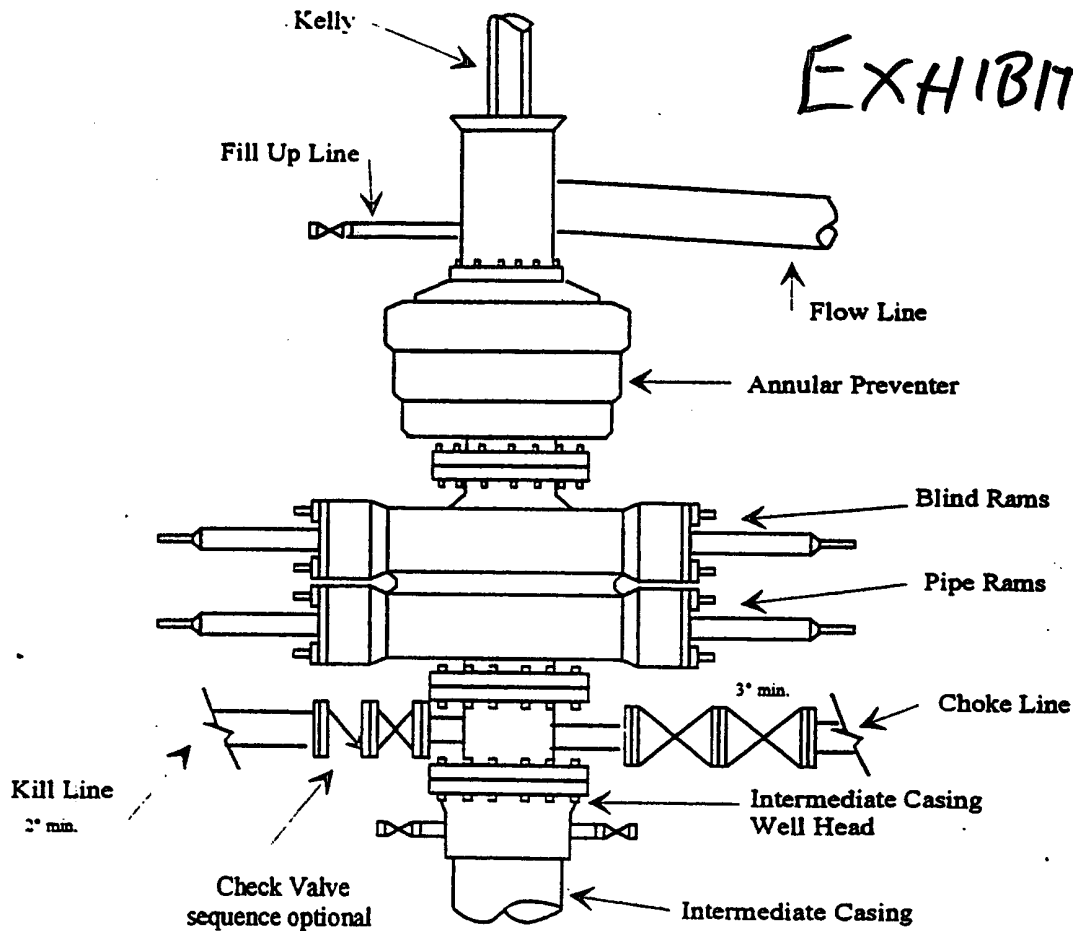
**EXHIBIT A**



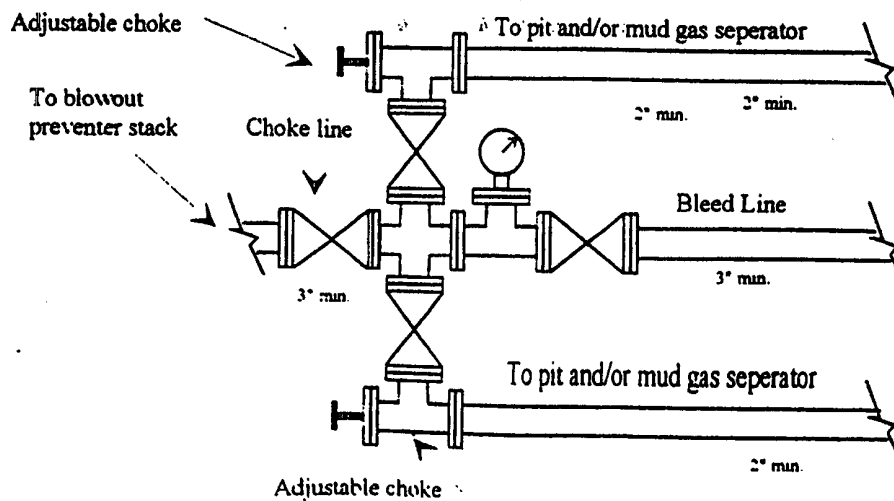
# Yates Petroleum Corporation

BOP-3

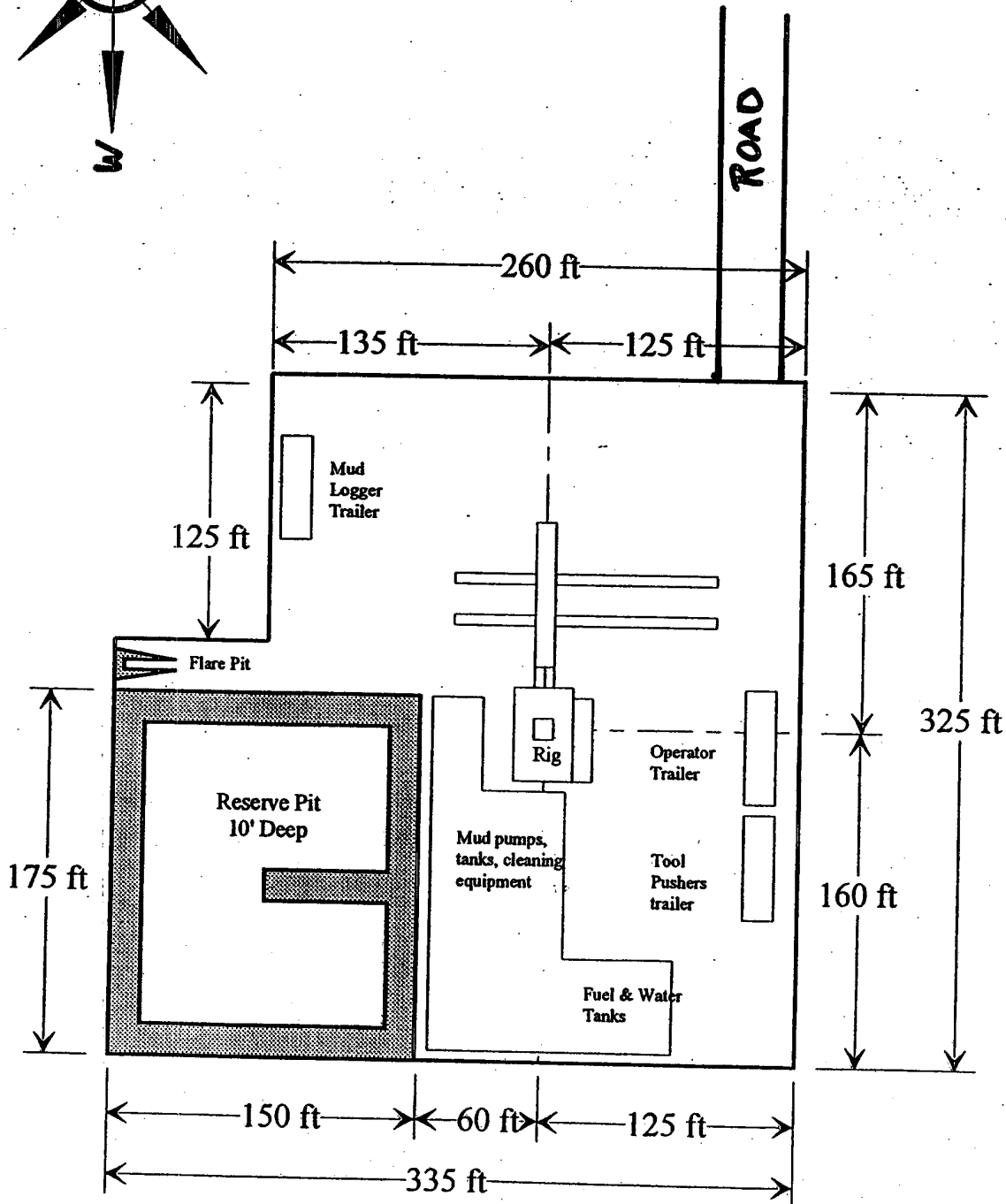
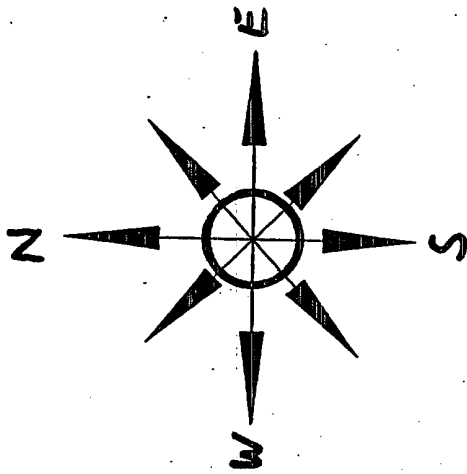
## Typical 3,000 psi Pressure System Schematic Annular with Double Ram Preventer Stack



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



**Yates Petroleum Corporation**  
 Location Layout for Permian Basin  
 Up to 12,000'



Distance from Well Head to Reserve Pit will vary between rigs

The above dimension should be a maximum

**EXHIBIT C**

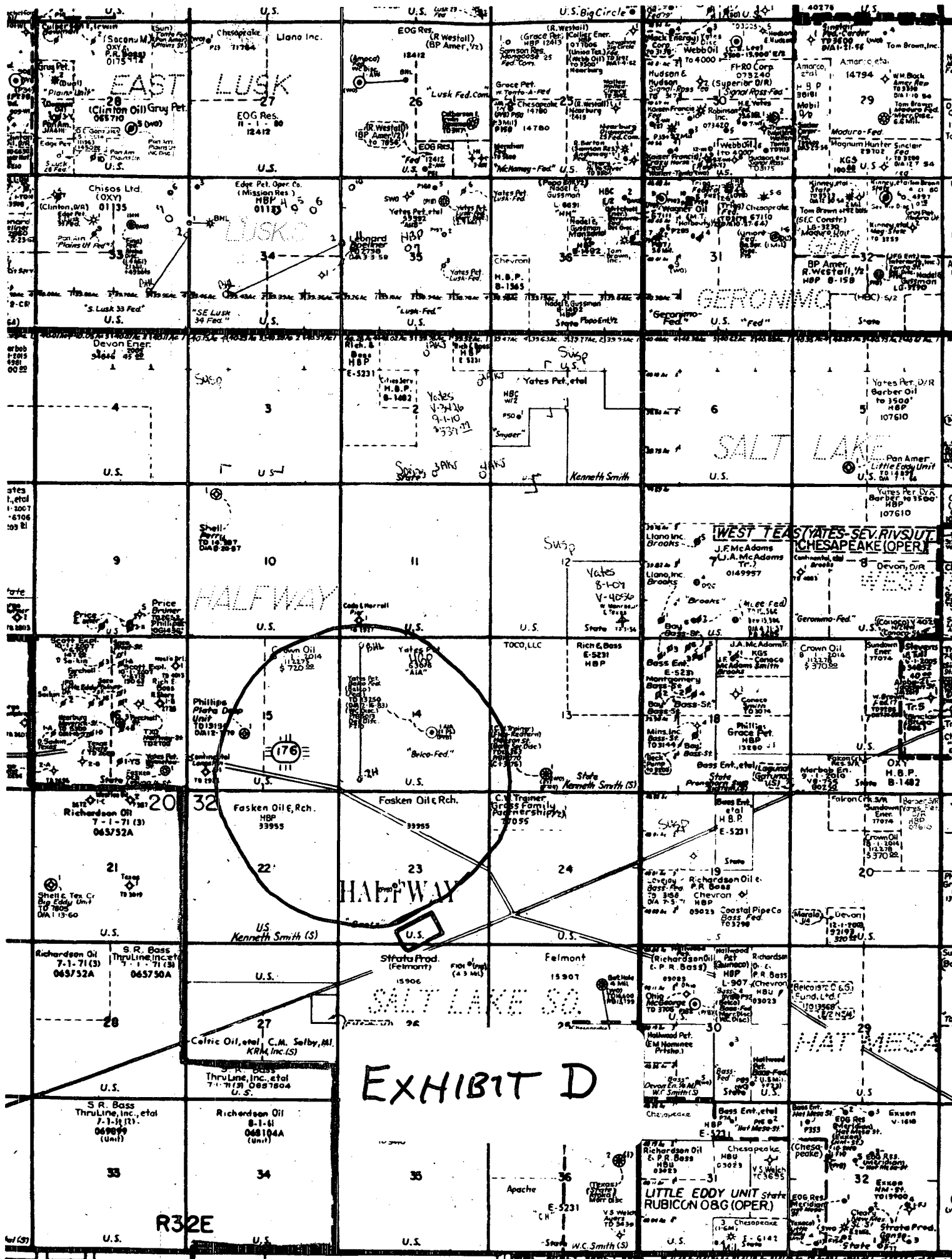


EXHIBIT D

R32E

LITTLE EDDY UNIT  
RUBICON O&G (OPR.)

HAT MESA

SALT LAKE SO.

HALFWAY

WEST TEAS  
STATES-SEV RVS OUT  
CHESAPEAKE (OPR.)

SALT LAKE

HALFWAY

EAST LUSK

## CONDITIONS OF APPROVAL - DRILLING

Well Name & No.                    2H – BELCO AIA FEDERAL  
Operator's Name:                YATES PETROLEUM CORPORATION  
Location:                        330' FSL & 1000' FWL – SEC 14 – T20S – R32E – LEA - SHL  
                                      330' FNL & 660' FWL – SEC 14 – T20S – R32E – LEA - BHL  
Lease:                              NM-63016

### 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: 20 inch 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.
5. Gamma-Ray/Neutron logs shall be run from the base of the Salado Formation to the surface; cable speed not to exceed 30 feet per minute.

### II. CASING:

1. The 20 inch surface casing shall be set at 1200 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.
2. The minimum required fill of cement behind the 13-3/8 inch salt protection casing is circulate cement to the surface.
3. The minimum required fill of cement behind the 8-5/8 inch intermediate casing is circulate cement to the surface.
4. The minimum required fill of cement behind the 5-1/2 inch production casing is cement shall tie back a minimum of 200 feet into the 8-5/8 inch intermediate casing.
5. Whenever a casing string is cemented in the R-111-P Potash Area, cement shall be allowed to stand a minimum of twelve (12) hours under pressure and a total of twenty-four (24) hours before drilling the plug or initiating tests.

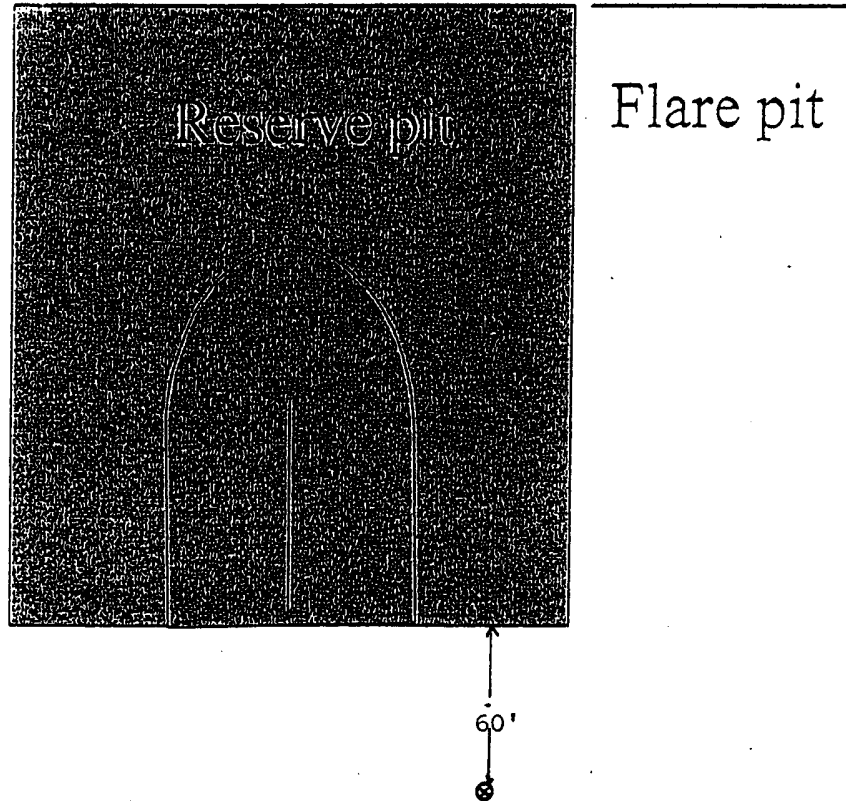
### **III. PRESSURE CONTROL:**

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) is 2000 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.

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