

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

1-21

APPLICATION FOR PERMIT TO DRILL OR REENTER

| | | |
|--|---|--|
| 1a. Type of Work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER | | 5. Lease Serial No. NM-77063 |
| 1b. Type of Well: <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other <input checked="" type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone | | 6. If Indian, Allottee or Tribe Name |
| 2. Name of Operator YATES PETROLEUM CORPORATION | | 7. If Unit or CA Agreement, Name and No. |
| Contact: ROBERT ASHER E-Mail: basher@ypcnm.com | | 8. Lease Name and Well No. CONTINENTAL APJ FEDERAL 4 |
| 3a. Address 105 SOUTH 4TH STREET ARTESIA, NM 88210 | 3b. Phone No. (include area code) Ph: 505.748.4364 Fx: 505.748.4572 | 9. API Well No. 30-025-36109 |
| 4. Location of Well (Report location clearly and in accordance with any State requirements. *) At surface SWNW 1650FNL 660FWL At proposed prod. zone SWNW 1650FNL 660FWL | | 10. Field and Pool, or Exploratory DIAMONDTAIL-DELAWARE, SW Triste Draw, Delaware, W |
| 14. Distance in miles and direction from nearest town or post office* APPROX. 35 MILES NE OF LOVING, NM | | 11. Sec., T., R., M., or Bk. and Survey or Area Sec 28 T23S R32E Mer NMP |
| 15. Distance from proposed location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) | 16. No. of Acres in Lease | 12. County or Parish LEA |
| 18. Distance from proposed location to nearest well, drilling, completed, applied for, on this lease. ft. | 19. Proposed Depth 8750 MD | 13. State NM |
| 21. Elevations (Show whether DF, KB, RT, GL, etc.) 3698 GL | 22. Approximate date work will start | 17. Spacing Unit dedicated to this well |
| 24. Attachments Carlsbad Controlled Water Basin | | 20. BLM/BLA Bond No. on file NM-2811 |
| 23. Estimated duration 30 DAYS | | |

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 officer.

| | | |
|--|---|---------------------|
| 25. Signature (Electronic Submission) | Name (Printed/Typed) CLIFTON R. MAY Ph: 505.748.4347 | Date 12/17/2002 |
| Title REGULATORY AGENT | | |
| Approved by (Signature) /s/ JOE G. LARA | Name (Printed/Typed) /s/ JOE G. LARA | Date JAN 15 2003 |
| Title FIELD MANAGER | | |
| Office CARLSBAD FIELD OFFICE | | |

Application approval does not warrant or certify 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.

Additional Operator Remarks (see next page)

Electronic Submission #16959 verified by the BLM Well Information System
For YATES PETROLEUM CORPORATION, sent to the Hobbs

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS AND
SPECIAL STIPULATIONS
ATTACHED

** ORIGINAL ** ORIGINAL ** ORIGINAL ** ORIGINAL ** ORIG

OPER. OGRID NO. 25575
PROPERTY NO. 17411
POOL CODE 59945
EFF. DATE 1-21-03
API NO. 30-025-36109

S
C
A

KZ

Hobbs
OCD

Additional Operator Remarks:

On federal surface administered by the Bureau of Land Management.

APR 2008
A- ED
Hobbs
OCU

DISTRICT I
1686 N. French Dr., Hobbs, NM 58240

DISTRICT II
611 South First, Artesia, NM 88210

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

DISTRICT IV
2048 South Pacheco, Santa Fe, NM 87506

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 30-02536109 | Pool Code 59945 | Pool Name Triste Draw, Diamondtail Delaware, SW West |
| Property Code 17411 | Property Name CONTINENTAL "APJ" FEDERAL | Well Number 4 |
| OGRID No. 025575 | Operator Name YATES PETROLEUM CORPORATION | Elevation 3698 |

Surface Location

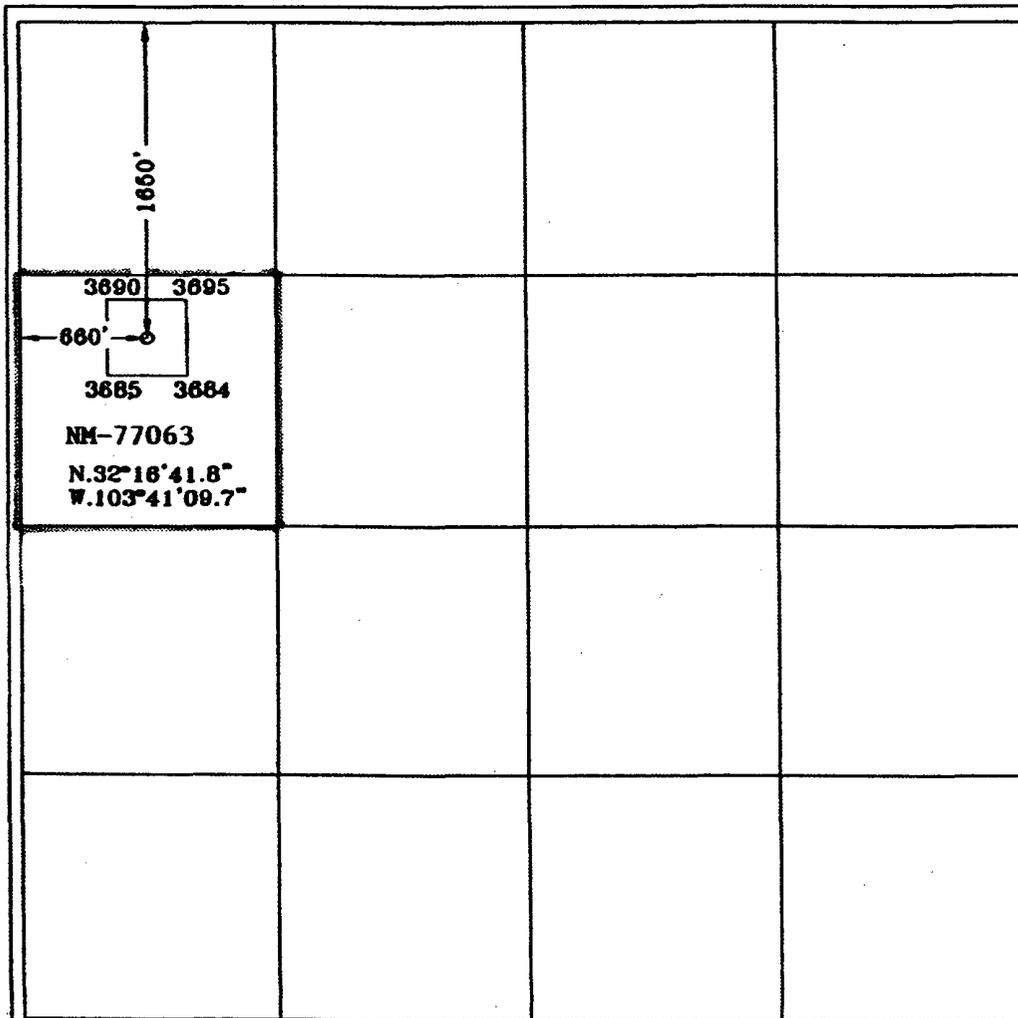
| UL or lot No. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| E | 28 | 23S | 32E | | 1650 | NORTH | 660 | 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 |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| | | | | | | | | | |

| | | | |
|------------------------------|-----------------|--------------------|-----------|
| Dedicated Acres 40 | 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.

Clifton R. May
Signature

Clifton R. May
Printed Name

Regulatory Agent
Title

12-16-02
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.

12/09/2002
Date Surveyed

[Signature]
Signature of Surveyor

NEW MEXICO
REGISTERED SURVEYOR
3840

Certificate No. **3840** L. Jones RLS 3640
CONTINENTAL 4
GENERAL SURVEYING COMPANY

YATES PETROLEUM CORPORATION
Continental "APJ" Federal #4
1650' FNL and 660' FWL
Section 28-T23S-R32E
Lea County, New Mexico

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

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

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

| | |
|-------------|-------|
| Water: | 250' |
| Oil or Gas: | 8670' |

1 3. Pressure Control Equipment: A diverter will be installed on the 13 3/8" casing. BOPE will be installed on the 8 5/8" casing and rated for 3000# BOP systems will be consistent with API RP 53. Pressure tests will be conducted before drilling out from under all casing strings, which are set and cemented in place. Blowout Preventor controls will be installed prior to drilling the surface plug and will remain in use until the well is completed or abandoned. Preventors will be inspected and operated at least daily to ensure good mechanical working order, and this inspection recorded on the daily drilling report. See Exhibit B.

Auxiliary Equipment:

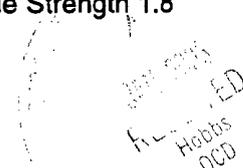
A. Auxiliary Equipment: Kelly cock, pit level indicators, flow sensor equipment and a sub with full opening valve to fit the drill pipe and collars will be available on the rig floor in the open position at all times for use when kelly is not in use.

4. THE PROPOSED CASING AND CEMENTING PROGRAM:

A. Casing Program: (All New)

| <u>Hole Size</u> | <u>Casing Size</u> | <u>Wt./Ft</u> | <u>Grade</u> | <u>Coupling</u> | <u>Interval</u> | <u>Length</u> |
|------------------|--------------------|---------------|--------------|-----------------|-----------------|---------------|
| 17 1/2" | 13 3/8" | 48# | H-40 | ST&C | 0-850' | 850' |
| 11" | 8 5/8" | 32# | J-55 | ST&C | 0-4650' | 4650' |
| 7 7/8" | 5 1/2" | 17# | J-55 | LT&C | 0-100' | 100' |
| 7 7/8" | 5 1/2" | 15.5# | J-55 | LT&C | 100-6800' | 6700' |
| 7 7/8" | 5 1/2" | 17# | J-55 | LT&C | 6800-8750' | 1950' |

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



 H.L. HOBBS
 OGD

A. CEMENTING PROGRAM:

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

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

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

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

5. MUD PROGRAM AND AUXILIARY EQUIPMENT:

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

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

6. EVALUATION PROGRAM:

Samples: Every 10' from 5000' to TD.
 Logging: Platform HALS, CMR
 Coring: None anticipated
 DST's: As warranted.

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

Anticipated BHP:

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

Abnormal Pressures Anticipated: None

Lost Circulation Zones Anticipated: None.

H2S Zones Anticipated: None.

Maximum Bottom Hole Temperature: 140 F

8. ANTICIPATED STARTING DATE:

Plans are to drill this well as soon as possible after receiving approval. It should take approximately 15 days to drill the well with completion taking another 20 days.

H.L. Hester
 Hester
 OGD

MULTI-POINT SURFACE USE AND OPERATIONS PLAN
YATES PETROLEUM CORPORATION
Continental "APJ" Federal #4
1650' FNL and 660' FWL
Section 28-T23S-R32E
Lea County, New Mexico

This plan is submitted with Form 3160-3, Application for Permit to Drill, covering the above described well. The purpose of this plan is to describe the location of the proposed well, the proposed construction activities and operations plan, the magnitude of the surface disturbance involved and the procedures to be followed in rehabilitating the surface after completion of the operations, so that a complete appraisal can be made of the environmental effect associated with the operations.

1 EXISTING ROADS:

Exhibit A is a portion of the BLM map showing the well and roads in the vicinity of the proposed location. The proposed well site is located approximately 35 miles northeast of Loving, New Mexico and the access route to the location is indicated in red and green on Exhibit A.

DIRECTIONS:

Take Hwy 62/180 from intersection of 285-62/180 for approx. 2.2 miles to U.S. Refinery Rd. Take U.S. Refinery Rd. for approx. 12.3 miles to Potash Mines Rd. Turn left and go approx. 2.3 miles to Jal Hwy. (128). Turn right and go approx. 18.3 miles to Paduca Breaks (EL Paso Pipeline). Turn left and go approx. 3.6 miles. Turn left on lease road and go approx. 0.8 of a mile. Turn left and go 0.3 of a mile. Just before Continental #3 well, turn south. New road starts here and go approx. 0.2 of a mile to the SE corner of the pad.

2. PLANNED ACCESS ROAD:

- A. The proposed new access will be approximately 1000' in length from the point of origin to the southeast corner of the drilling pad. The road will go southerly direction.
- B. The new road will be 14 feet in width (driving surface) and will be adequately drained to control runoff and soil erosion.
- C. The new road will be bladed with drainage on both sides. One traffic turnout will be built.
- D. The route of the road is visible.

3. LOCATION OF EXISTING WELL:

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

4. LOCATION OF EXISTING AND/OR PROPOSED FACILITIES:

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

5. LOCATION AND TYPE OF WATER SUPPLY:

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

6. SOURCE OF CONSTRUCTION MATERIALS:

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

7. METHODS OF HANDLING WASTE DISPOSAL:

- A. Drill cuttings will be disposed of in the reserve pits.
B. Drilling fluids will be allowed to evaporate in the reserve pits until the pits are dry.
C. Water produced during operations will be collected in tanks until hauled to an approved disposal system, or separate disposal application will be submitted.
D. Oil produced during operations will be stored in tanks until sold.
E. Current laws and regulations pertaining to the disposal of human waste will be complied with.
F. All trash, junk, and other waste materials will be contained in trash cages or bins to prevent scattering and will be removed and deposited in an approved sanitary landfill. Burial on site is not approved.

8. ANCILLARY FACILITIES: None required.

9. WELLSITE LAYOUT:

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

10. PLANS FOR RESTORATION:

- A. After finishing drilling and/or completion operations, all equipment and other material not needed for further operations will be removed. The location will be cleaned of all trash and junk to leave the well site in as aesthetically pleasing a condition as possible.
B. Unguarded pits, if any, containing fluids will be fenced until they have dried and been leveled.
C. If the proposed well is non-productive, all rehabilitation and/or vegetation requirements of the Bureau of Land Management will be complied with and will be accomplished as expeditiously as possible. All pits will be filled level after they have evaporated and dried.

11 SURFACE OWNERSHIP: Federal Surface administered by BLM.

12. OTHER INFORMATION:

- A. Topography: Refer to the existing archaeological report for a description of the topography, flora, fauna, soil characteristics, dwellings, and historical and cultural sites.
- B. The primary surface use is for grazing.

13. OPERATOR'S REPRESENTATIVE:

- | | |
|--|---|
| A. Through A.P.D. Approval: Clifton R. May, Regulatory Agent Yates Petroleum Corporation 105 South Fourth Street Artesia, New Mexico 88210 Phone (505) 748-1471 | B. Through Drilling, Completions & Prod. Pinson McWhorter, Operations Manager Yates Petroleum Corporation 105 South Fourth Street Artesia, New Mexico 88210 Phone (505) 748-1471 |
|--|---|

14. CERTIFICATION:

I hereby certify that I, or persons under my direct supervision, have inspected the proposed drill site and access route, that I am familiar with the conditions which presently exist; that the statements made in this plan are to the best of my knowledge, true and correct; and, that the work associated with the operations proposed herein will be performed by Yates Petroleum Corporation and its contractors and subcontractors in conformity with this plan and the terms and conditions under which it is approved. This statement is subject to the provisions of 18 U.S.C. 1001 for the filing of a false statement.

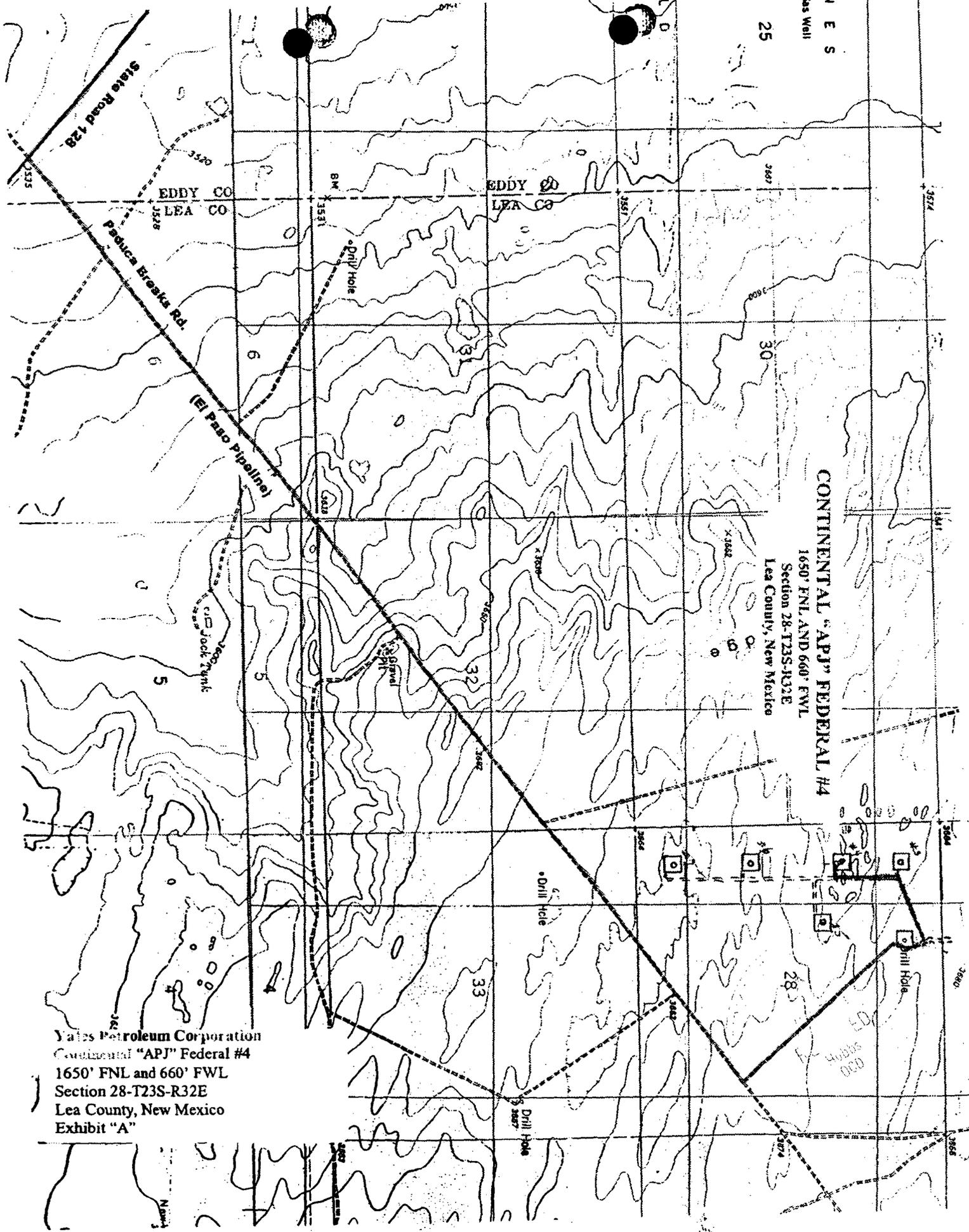
12/16/2002
ED

12/16/2002


Regulatory Agent

N E S
Gas Well

25



EDDY CO
LEA CO

EDDY CO
LEA CO

CONTINENTAL "APJ" FEDERAL #4

1650' FNL AND 660' FWL
Section 28-T23S-R32E
Lea County, New Mexico

Yates Petroleum Corporation
Continental "APJ" Federal #4
1650' FNL and 660' FWL
Section 28-T23S-R32E
Lea County, New Mexico
Exhibit "A"

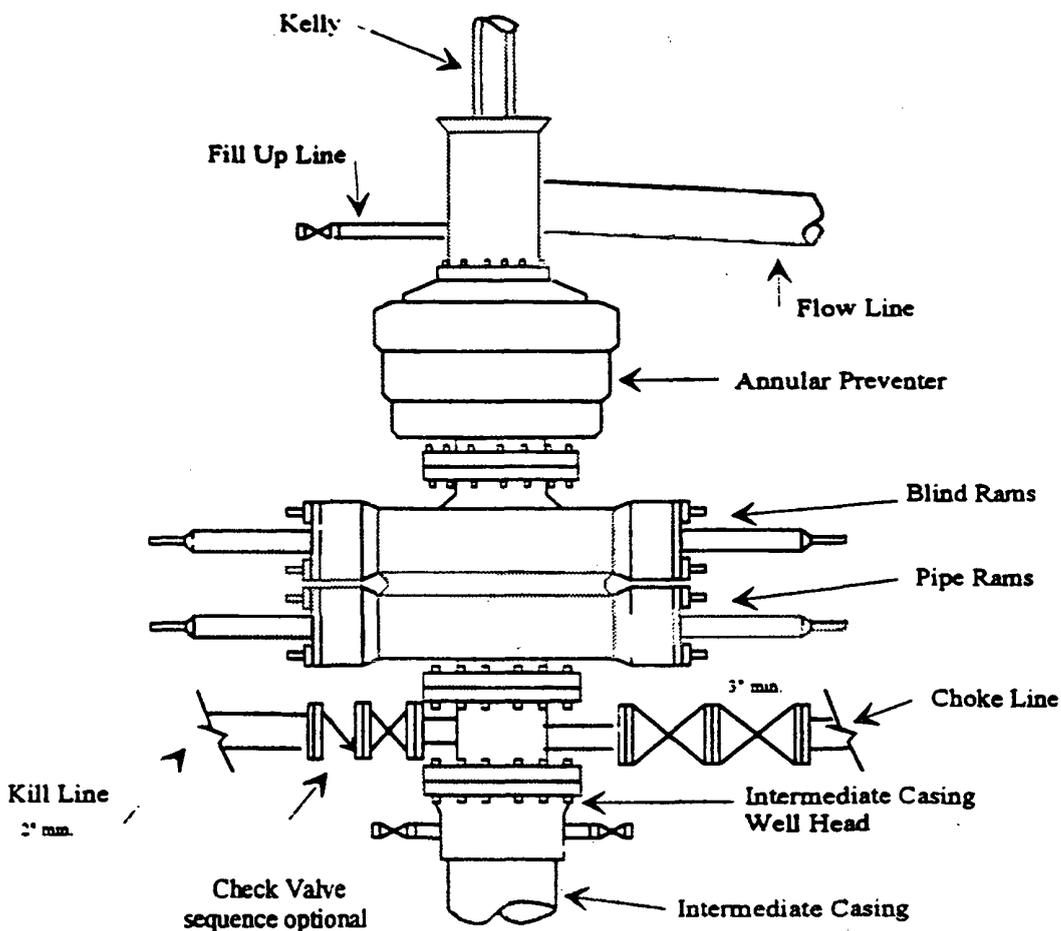
North

Yates Petroleum Corporation

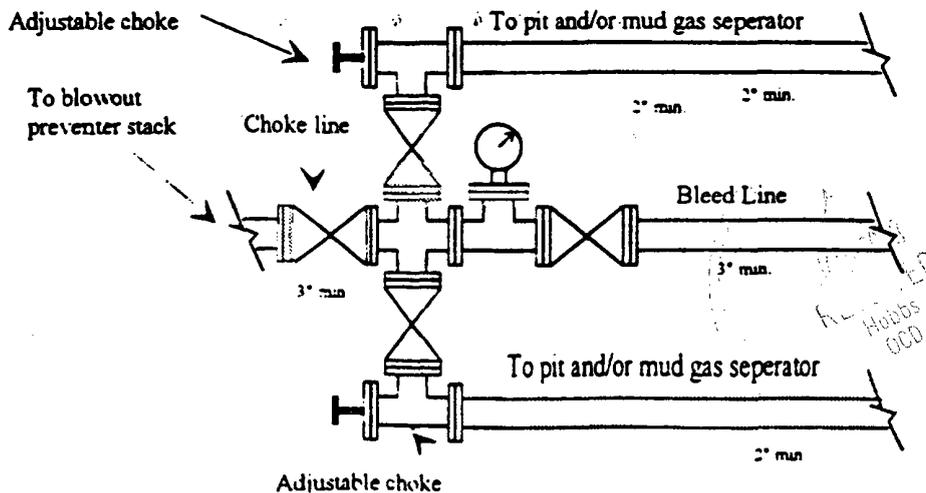
Typical 3,000 psi Pressure System Schematic

Annular with Double Ram Preventer Stack

Yates Petroleum Corporation
Continental "APJ" Federal #4
1650' FNL and 660' FWL
Section 28-T23S-R32E
Lea County, New Mexico
Exhibit "B"



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

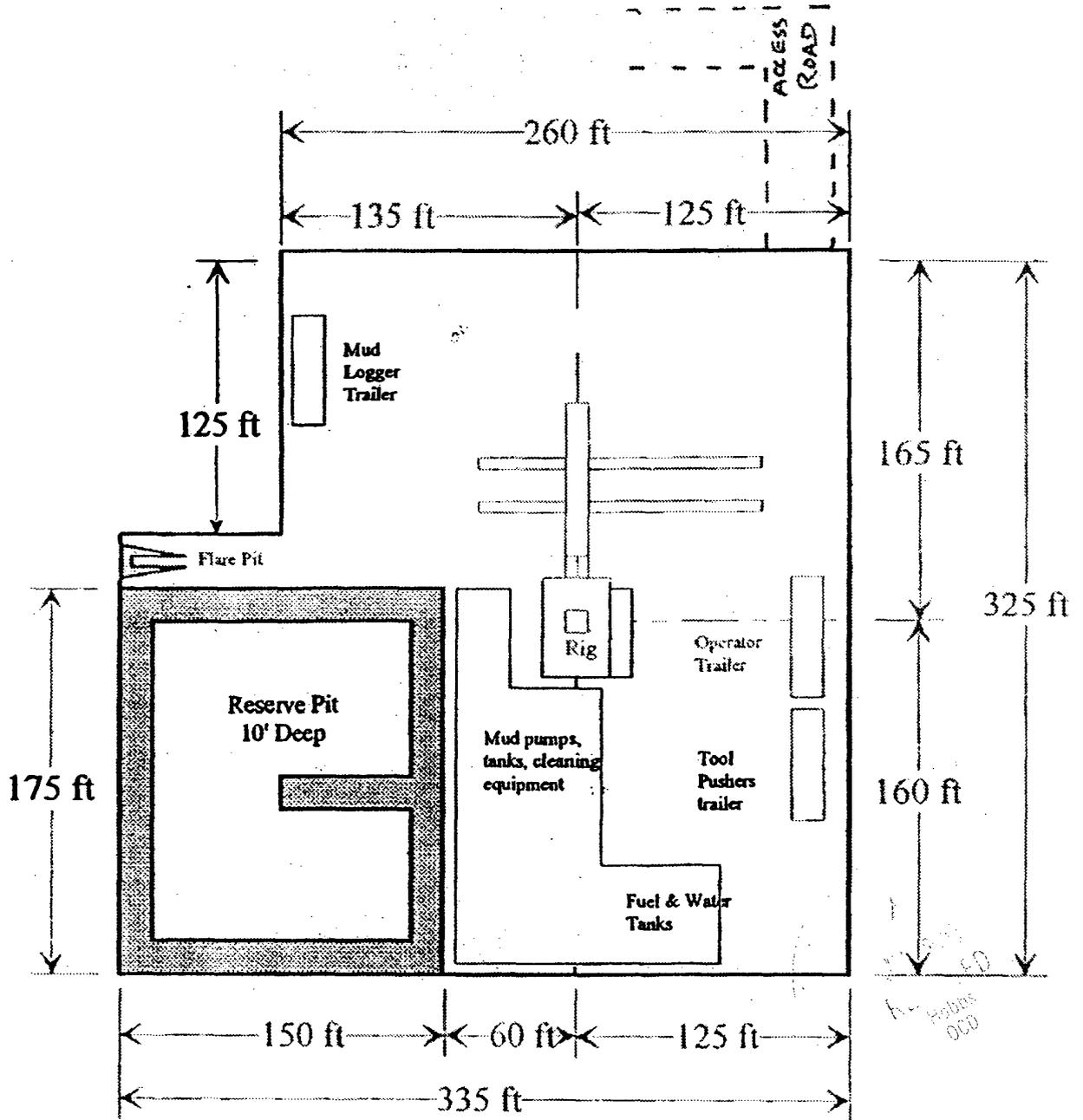
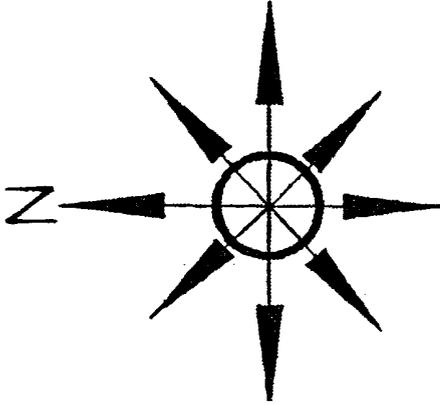


Yates Petroleum Corporation

Location Layout for Permian Basin

Up to 12,000'

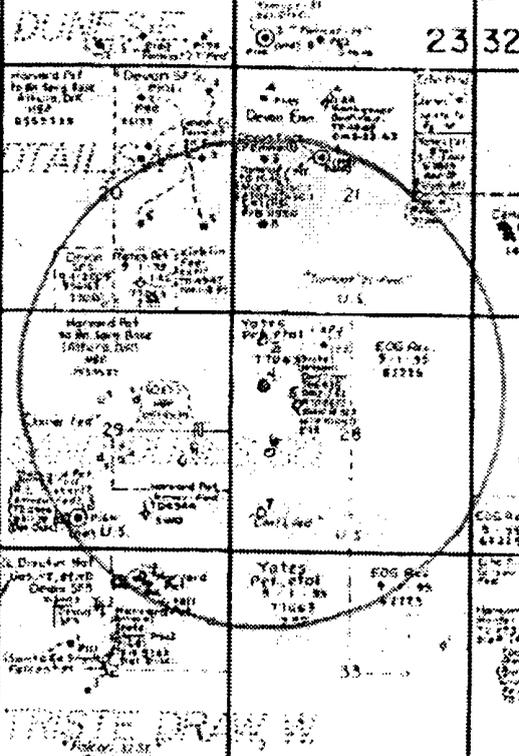
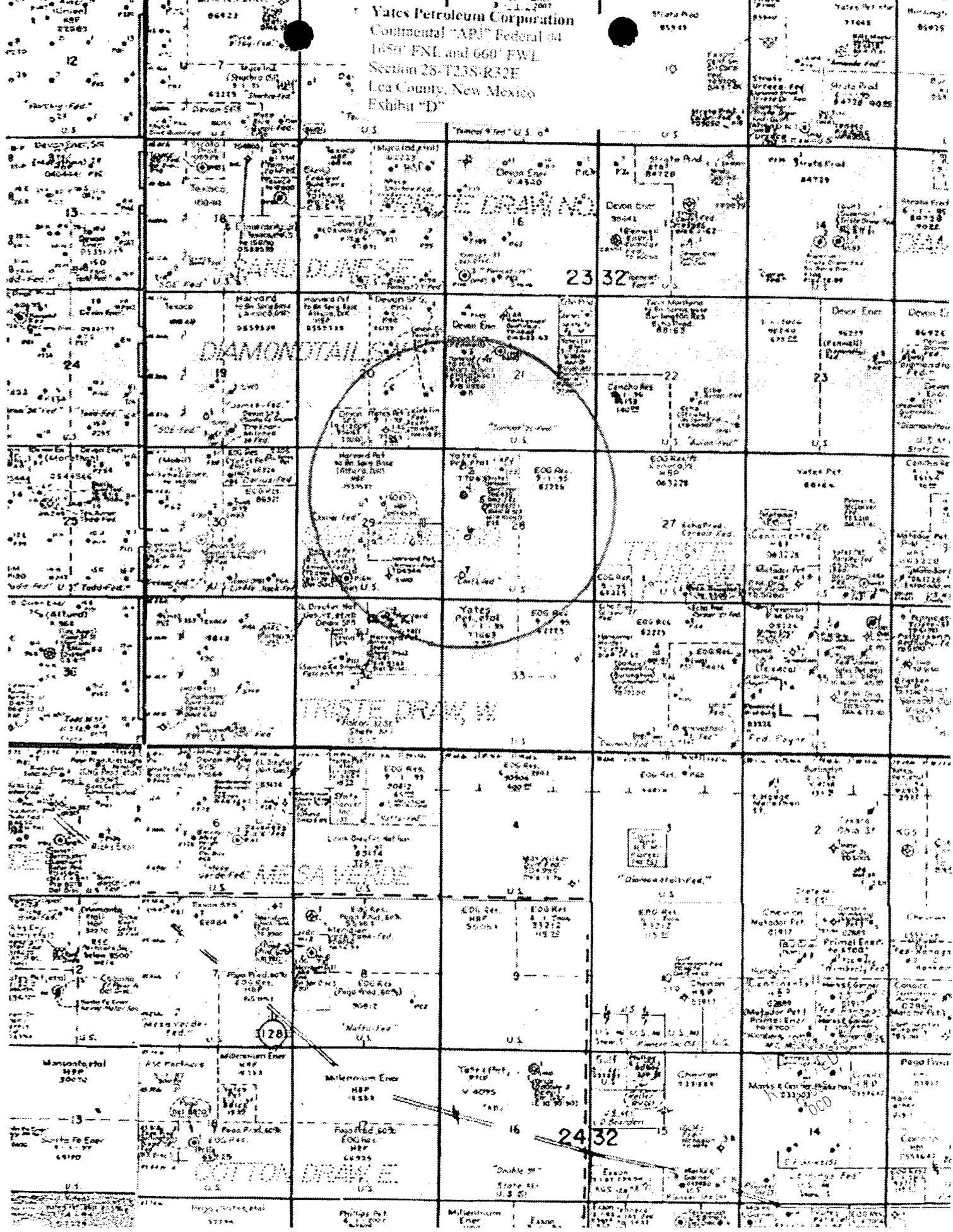
Yates Petroleum Corporation
 Continental "APJ" Federal #4
 1650' FNL and 660' FWL
 Section 28-T23S-R32E
 Lea County, New Mexico
 Exhibit "C"



Distance from Well Head to Reserve Pit will vary between rigs

The above dimension should be a maximum

Yates Petroleum Corporation
Continental "API" Federal #4
1650' FNL and 660' FWL
Section 28-T23S-R32E
Lea County, New Mexico
Exhibit "D"



SAVING

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