

10-470

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Form 3160-3  
(August 2008)

JUL 22 2010

HOBBSOCD

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT  
APPLICATION FOR PERMIT TO DRILL OR REENTER

FORM APPROVED  
OMB NO. 1004-0137  
Expires: July 31, 2010

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 type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		6. If Indian, Allottee or Tribe Name N/A
2. Name of Operator Yates Petroleum Corporation 025575		7. If Unit or CA Agreement, Name and No N/A
3a. Address 105 South Fourth Street, Artesia, NM 88210	3b. Phone No. (include area code) 575-748-1471	8. Lease Name and Well No. <i>17417</i> Continental APJ Federal #7
4. Location of well (Report location clearly and in accordance with any State requirements. *) At surface 660' FSL and 660' FWL Unit M At proposed prod. zone same as above		9. API Well No 30-025-39851 30-025-37088
14. Distance in miles and direction from the nearest town or post office* Approximately thirty five (35) miles northeast of Loving, New Mexico		10. Field and Pool, or Exploratory Diamondtail <i>96916</i> Taste Draw, Delaware, West Southwest
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drlg. unit line, if any)		11. Sec., T., R., M., or Blk. And Survey or Area Section 28, T23S-R32E
16. No. of acres in lease 320.00		12. County or Parish Lea County
17. Spacing Unit dedicated to this well 40 Acres		13. State NM
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft		
19. Proposed Depth 8750'		20. BLM/ BIA Bond No. on file NATIONWIDE BOND #NMB000434
21. Elevations (Show whether DF, KDB, RT, GL, etc ) 3657' GL		22. Approximate date work will start* ASAP
		23. Estimated duration 30 days

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 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 must be filed with the appropriate Forest Service Office) | 6. Such other site specific information and/ or plans as may be required by the BLM         |

25. Signature <i>Clifton May</i>	Clifton May	Date 4/14/2010
Title Land Regulatory Agent		

Approved By (Signature) <i>/s/ Don Peterson</i>	Name (Printed/ Typed) Don Peterson	Date JUL 20 2010
Title 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 cc operations thereon

Conditions of approval, if any, are attached.

APPROVAL FOR TWO YEARS

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and wilfully 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

Previously Approved

Carlsbad Controlled Water Basin

SEE ATTACHED FOR  
CONDITIONS OF APPROVAL

Approval Subject to General Requirements  
& Special Stipulations Attached

**Fee Lease - 3 Copies**

☐ AMENDED REPORT


N.32°16'12.4"  
W.103°41'09.7"

3651    3652

660' →

3654    3653

NM 77063

### OPERATOR CERTIFICATION

I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.

*Clifton May*

Signature \_\_\_\_\_

Clifton May

Printed Name \_\_\_\_\_

Land Regulatory Agent

Title \_\_\_\_\_

4/14/10

Date \_\_\_\_\_

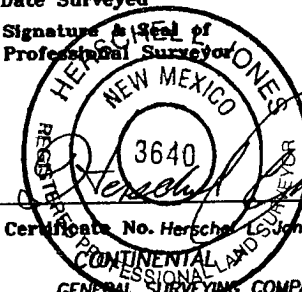
### SURVEYOR CERTIFICATION

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.

**REFER TO ORIGINAL PLAT**  
12/09/2002

Date Surveyed \_\_\_\_\_

Signature & Seal of Professional Surveyor \_\_\_\_\_



Certificate No. Herschel Jones RLS 3640

CONTINENTAL LAND SURVEYING COMPANY  
GENERAL SURVEYING COMPANY

**YATES PETROLEUM CORPORATION**

**Continental APJ Federal #7**

660' FSL & 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'	Oil
Top of Salt	1350'	Brushy Canyon	7060'	Oil
Base of Salt	4530'	Bone Spring	8670'	
Bell Canyon	4770' Oil	TD	8750'	

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

Water:            Approx 250'

Oil or Gas:    Bell Canyon, Cherry Canyon, Brushy Canyon - Oil

3. Pressure Control Equipment: ~~A diverter will be installed on the 13 3/8" casing.~~ <sup>See con</sup> 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)

See con

<u>Hole Size</u>	<u>Casing Size</u>	<u>Wt./Ft</u>	<u>Grade</u>	<u>Coupling</u>	<u>Interval</u>	<u>Length</u>
17.5"	13.375"	48#	H-40	ST&C	0-1225'	1225'
11"	8.625"	32#	J-55	ST&C	0-4650'	4650'
7.875"	5.5"	17#	J-55	LT&C	0-100'	100'
7.875"	5.5"	15.5#	J-55	LT&C	100'-6800'	6700'
7.875"	5.5"	17#	J-55	LT&C	6800'-8750'	1950'

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

**B. CEMENTING PROGRAM:**

*See COA* Surface casing: Lead w/250 sx Lite (YLD 1.96 WT 12.5). Tail in with 200 sx class "C" + 2% CaCl<sub>2</sub> (YLD 1.34 WT 14.8). TOC Surface

Intermediate Casing: Lead w/1150 sx Lite (YLD 2.5 WT 11.9); Tail in w/ 250 sx C + 2% CaCl<sub>2</sub> (YLD 1.34 WT 14.8). TOC Surface.

*See COA* Production Casing: Stage I: Lead w/550 sx super H (YLD 1.67 WT 13). DV tool @ 4500'. Tail in w/50 sx Thixset (YLD 1.4 WT 14.4). TOC Stage I approx. 4500'. Stage II: Lead w/350 sx Lite (YLD 2.5 WT 11.9). Tail in with 50 sx Premium (YLD 1.3 WT 14.8). Cement for Stage II 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>
0-1225'	FW/Native Mud	8.6-9.2	28-36	N/C
1225'- <del>4650'</del>	Brine Water	10.0-10.2	28-28	N/C
<del>4650'</del> -7000'	Cut Brine	8.6-9.1	28-28	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:** *See COA*

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 or temperatures are anticipated: None

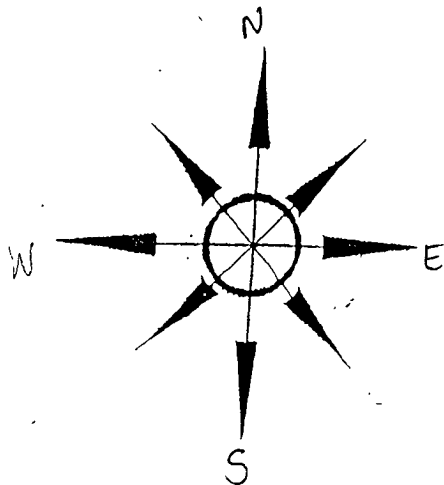
Lost Circulation Zones Anticipated: None.

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

Maximum Bottom Hole Temperature: 140 F

**8. ANTICIPATED STARTING DATE:**

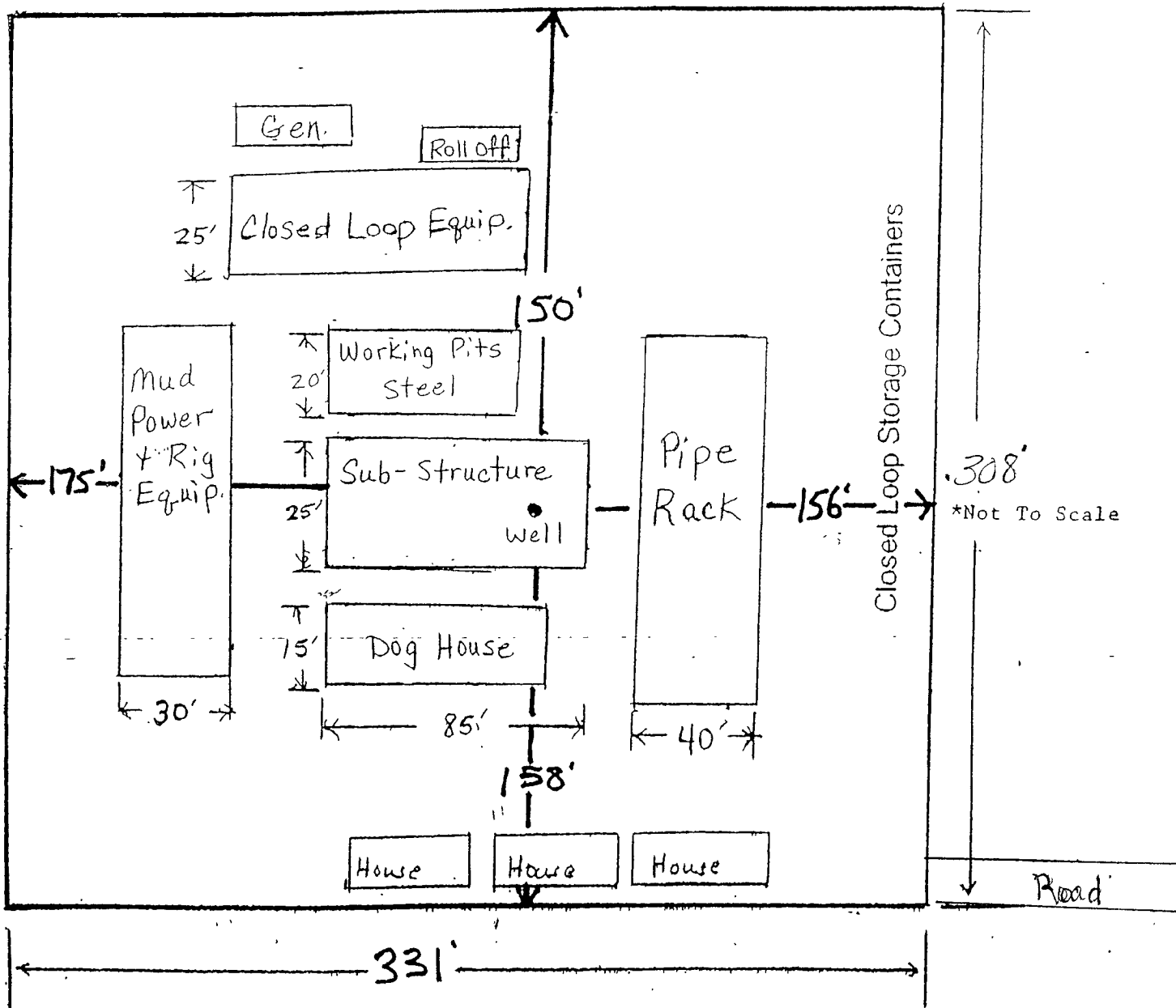
Plans are to drill this well as soon as possible after receiving approval. It should take approximately 15 days to drill the well with completion taking another 20 days.

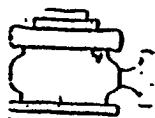


**Yates Petroleum Corporation**  
Location Layout for Permian Basin

Closed Loop Design Plan

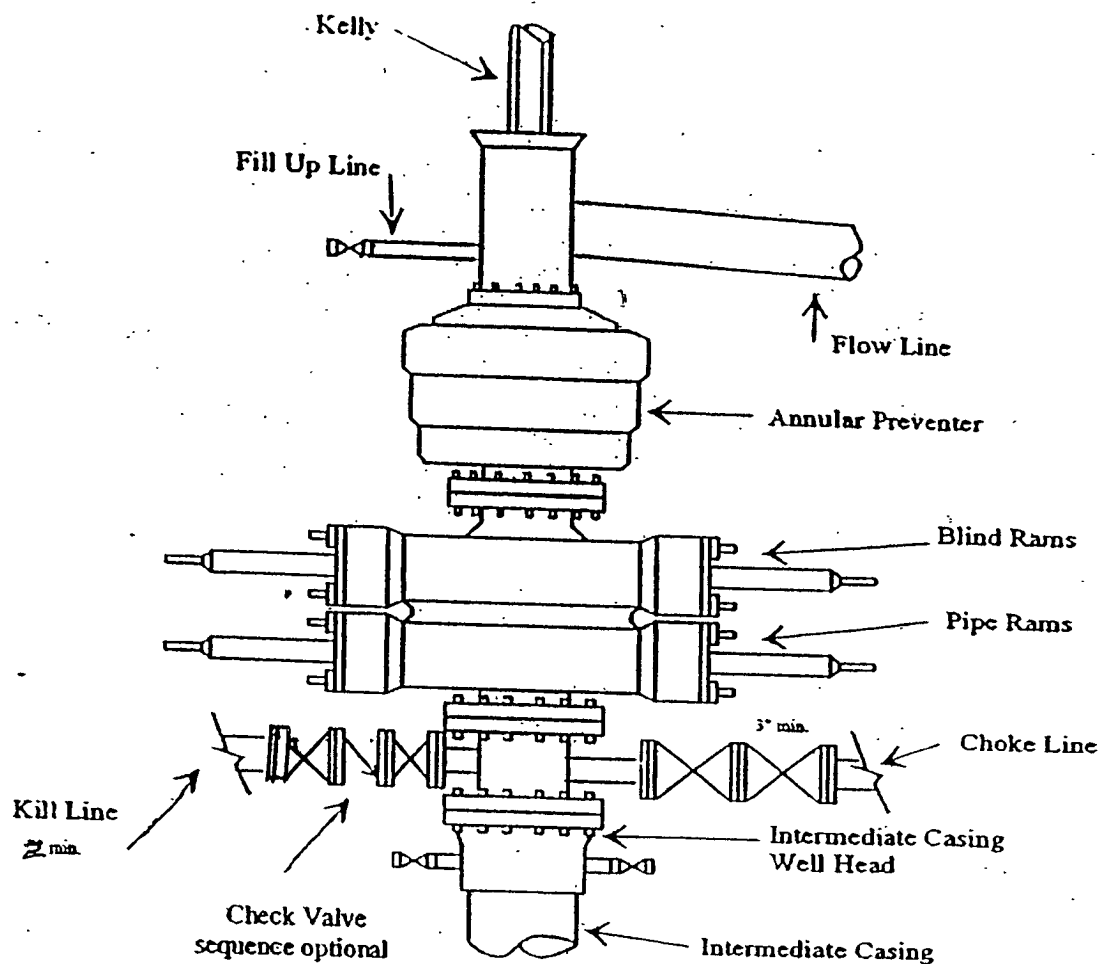
Continental APJ Federal #7  
660' FSL and 660' SWL  
Section 28, T23S-R32E  
Lea County, New Mexico  
Exhibit "C"



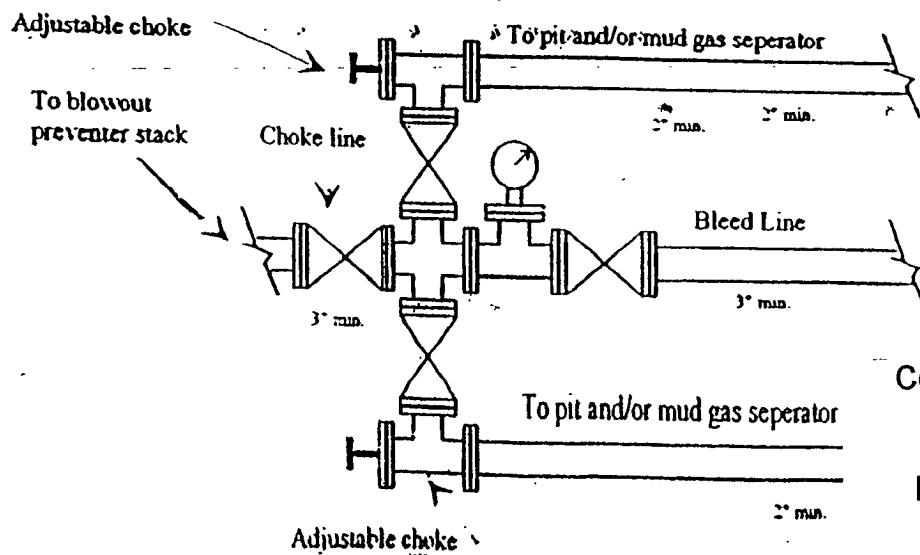


**Yates Petroleum Corporation**  
**Typical 3,000 psi Pressure System**  
**Schematic**  
**Annular with Double Ram Preventer Stack**

BOP-3

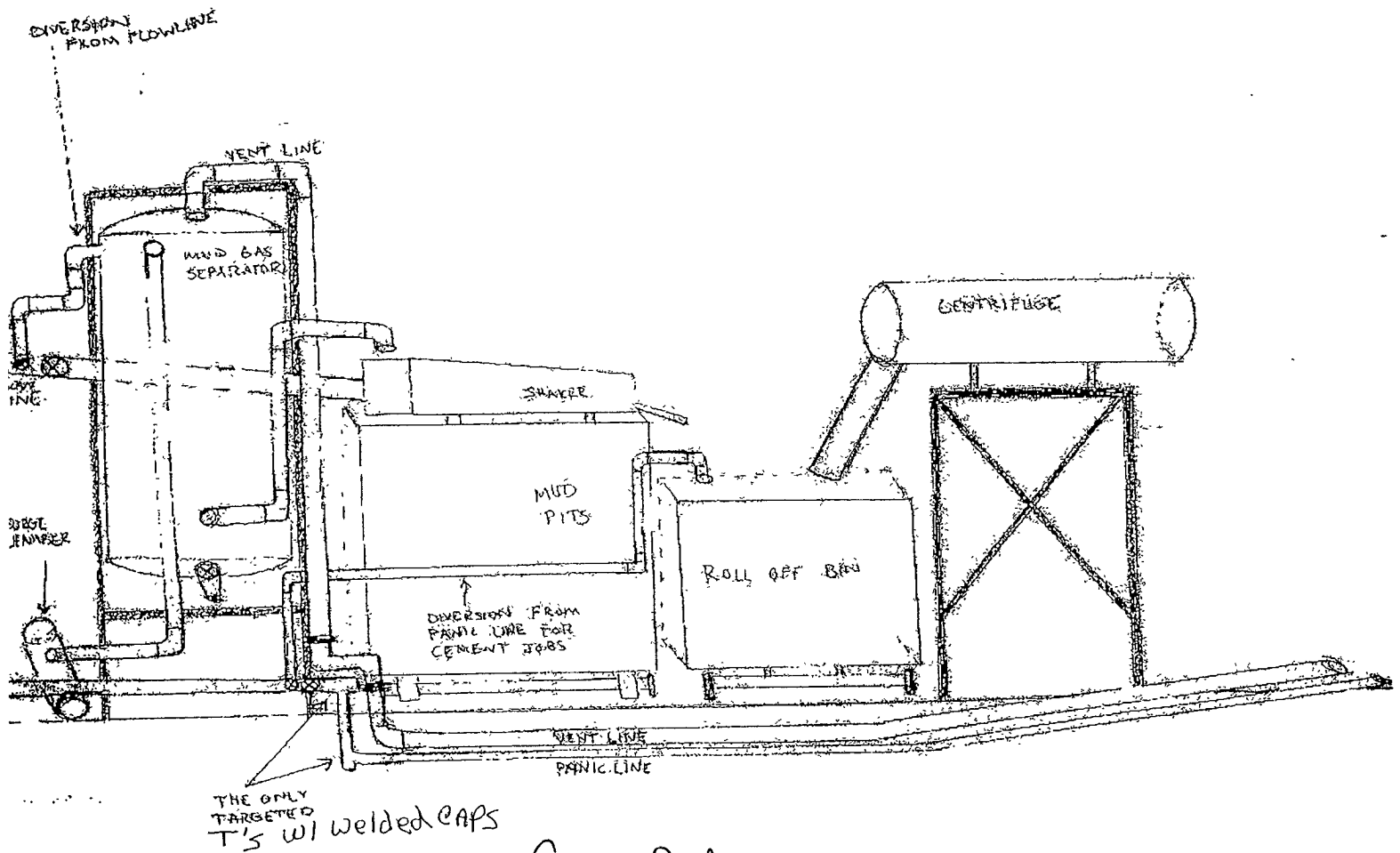


**Typical 3,000 psi choke manifold assembly with at least these minimum features**



Continental APJ Federal #7  
 660' FSL and 660' SWL  
 Section 28, T23S-R32E  
 Lea County, New Mexico  
 Exhibit "B"

YATES PETROLEUM CORPORATION  
Piping from Choke Manifold  
to the Closed-Loop Drilling Mud System



See COA

Continental APJ Federal #7  
660' FSL and 660' SWL  
Section 28, T23S-R32E  
Lea County, New Mexico  
Exhibit "C-1"