

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

| | | | |
|--|--|--|-----------------|
| 1a. TYPE OF WORK DRILL <input checked="" type="checkbox"/> DEEPEN <input type="checkbox"/> | | 5. LEASE DESIGNATION AND SERIAL NO. NMNM-40448 | |
| b. TYPE OF WELL OIL WELL <input checked="" type="checkbox"/> GAS WELL <input type="checkbox"/> OTHER <input type="checkbox"/> | | 6. IF INDIAN, ALLOTTEE OR TRIBE NAME | |
| 2. NAME OF OPERATOR HARVEY E. YATES COMPANY | | 7. UNIT AGREEMENT NAME BOLA 7 FED | |
| 3. ADDRESS AND TELEPHONE NO. P.O. BOX 1933, ROSWELL, NEW MEXICO 88202 505-623-6601 | | 8. FARM OR LEASE NAME, WELL NO. 2 | |
| 4. LOCATION OF WELL (REPORT LOCATION CLEARLY AND IN ACCORDANCE WITH ANY STATE REQUIREMENTS) AT SURFACE 660' FNL & 660' FEL AT PROPOSED PROD. ZONE SAME | | 9. API WELL NO. 30-025-35381 | |
| | | 10. FIELD AND POOL, OR WILDCAT YOUNG BONE SPRINGS NORTH | |
| | | 11. SEC., T., R., M. OR BLK AND SURVEY OR AREA SEC 7, T18S, R32E | |
| | | 12. COUNTY OR PARISH LEA | 13. STATE NM |

| | | |
|---|---------------------------|--|
| 14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE 20 MILES SW OF MALJAMAR, NM | | |
| 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 | 17. NO. OF ACRES ASSIGNED TO THIS WELL |
| 660' | 240 | 40 |
| 18. DISTANCE FROM PROPOSED LOCATION TO NEAREST WELL DRILLING, COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT. | 19. PROPOSED DEPTH | 20. ROTARY OR CABLE TOOLS |
| 1,320' | 9,600' | ROTARY |
| 21. ELEVATIONS (Show whether DF, RT, GR, etc.) 0 3796 | | APPROX. DATE WORK WILL START 1-Mar-01 |

| 23. PROPOSED CASING AND CEMENTING PROGRAM | | | | |
|---|-----------------------|-----------|---------------|--|
| SIZE OF HOLE | GRADE, SIZE OF CASING | WT PER FT | SETTING DEPTH | QUANTITY OF CEMENT |
| 17 1/2" | 13 3/8" H-40 | 48# | 400' | 425 SX "C" W/2% CACL & 1/4# CELLOSEAL |
| 12 1/4" | 8 5/8" J-55 | 32# | 3,100' | 350 SX "C" W/2% CACL & 1/4# CELLOSEAL, 1,000 SX FILLER * |
| 7 7/8" | 5 1/2" J-55 | 17# | 9,600' | 1000 SX LEAD & 400 SX TAIL ** |
| (SEE EXHIBIT "E") | | | | |

ALL CASING WILL BE NEW, OR USED MEETING BLM SPECS.
CEMENT WILL BE CIRCULATED ON 13 3/8" AND 8 5/8" CASING.
CEMENT QUANTITIES AND ADDITIVES ARE SUBJECT TO CHANGE DUE TO HOLE CONDITIONS.
* FILLER CEMENT 35/65 "C" POZ w/ 6% GEL, 5# SALT, & 1/4# FLOSEAL
** LEAD: 1000 SX "H" POZ w/ 2% GEL & 5# SALT PER SACK
TAIL: 400 SX "H" w/ 3% KCL, .5% FLUID LOSS, .3% DISPERSANT, 1% BONDING AGENT, .3% RETARDER, & .2% SODIUM METASILICATE PER SACK

| PROPOSED MUD PROGRAM | |
|----------------------|---|
| 0-400' | FRESH WATER, PAPER, & ACTIGUARD. MW-9.0 VIS-31 |
| 400'-3,100' | BRINE WATER, PAPER, & ACTIGUARD. MW-10.0, VIS-31 |
| 3,100'-9,600' | FRESH WATER, PAPER, ACTIGUARD, & AMMONIA NITRATE. 30-60,000 CHLORIDES MW-9.0 VIS-31 |

MUD PROGRAM SUBJECT TO CHANGE DUE TO HOLE CONDITIONS

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout preventer program, if any.

| | | | | | | |
|------------|---------------------|--------------|-------|--------------------------------|------|-----------------|
| 24. SIGNED | <u>Bob Williams</u> | Bob Williams | TITLE | <u>Drilling Superintendent</u> | DATE | <u>12/11/00</u> |
|------------|---------------------|--------------|-------|--------------------------------|------|-----------------|

(THIS SPACE FOR FEDERAL OR STATE OFFICE USE)

| | |
|------------|---------------|
| PERMIT NO. | APPROVAL DATE |
|------------|---------------|

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:

| | | |
|-------------|---------------|------|
| APPROVED BY | <u>Acting</u> | DATE |
|-------------|---------------|------|

TITLE 18 U.S.C. SECTION 1001, MAKES IT A CRIME FOR ANY PERSONS 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

OPER. GRID NO. 10179
PROPERTY NO. 26127
FILE NO. 65350
DATE 1-29-01
API NO. 30-025-35381

**Application
Harvey E. Yates Company
Bola 7 Fed #2
Section 7, T18S, R32E
Eddy County, New Mexico**

In conjunction with Form 3160-3, Application For Permit To Drill Or Deepen subject well, Harvey E. Yates Company submits the following ten items of pertinent information in accordance with Onshore Oil & Gas Order No. 10.

1. **Geologic Name of Surface Formation:**
Quaternary alluvium and bolson deposits
2. **Estimated Tops of Significant Geologic Markers:**
Rustler 1,010', Yates 2,545', Seven Rivers 2,910', Bowers 3,370', Queen 3,410', Penrose 3,910', Grayburg 4,225', Loco Hills 4,350', Premier 4,690' San Andres 4,775', Delaware 5,000', Bone Springs 6,080', BSPG 1st Sand 7,880', BSPG "B" Zone 8,100', BSPG 2nd Sand 8,530', , BSPG "C" Zone 9,030, 3rd Sand 9,225', PTD 9,600'.
3. **Estimated Depths at which Water, Oil, or Gas Formations are expected:**
Oil: Bone Spring 1st sand @ 7,880
Gas: Bone Spring 1st sand @ 7,880
4. **Proposed Casing Program:**
See Form 3160-3
5. **Pressure Control Equipment:**
BOP & Annular. See Exhibit C.
6. **Drilling Fluid Program:**
See Form 3160-3
7. **Auxiliary Equipment:**
H2S Compliance package
8. **Testing, Logging, & Coring Program:**
One DST is planned for the "B-C" Zone Carbonates. The planned logs are GR, CNL-LDT, DLL-MLL and sonic logs.
9. **Abnormal Conditions, Pressures, Temperature, or Potential Hazards:**
No abnormal conditions are anticipated in this well bore.
BHST 160 deg F
BHP 2000 psi
10. **Anticipated Starting Date & Duration of Operation:**
Spud Date: Approximately April 1, 2001. Duration of this project will be approximately 40 days from start of Construction of drilling pad until finish of completion operations

Surface Use Plan
Harvey E. Yates Company
Bola 7 Fed #2
Section 7, T18S, R31E
Eddy County, New Mexico

1. Existing Roads:

Exhibit A is a portion of a New Mexico map showing the location of the proposed location. The location is approximately 20 miles SouthWest of Maljamar, NM. Leave Artesia on U.S. 82 & travel 31 miles east to the junction of NM 529. Turn Southeast and go 7 miles. Turn right & go 2.6 miles. Go .5 miles & turn right. Go .2 miles to location.

2. Planned Access Roads:

1,080' of new road will be built to access this location.

3. Location of Existing Wells:

See EXHIBIT B

4. Location of Tank Batteries, Electric Lines, Etc:

In the event a producing well is drilled, a tank battery will be built on the location.

5. Location and Type of Water Supply:

Water will be obtained from commercial sources.

6. Source of Construction Material:

We will use materials from the primary and auxillary reserve pits to build the location.

7. Methods of Handling Waste Disposal:

Waste will be handled in an approved manner. The wellsite will be cleaned of all waste within 30 days of final completion of the well.

8. Ancillary Facilities:

N/A

9. Wellsite Layout:

a. EXHIBIT D shows the relative location and dimensions of the well pad, reserve pits, and major rig components.

b. The land is relatively flat with sandy soil and sand dunes.

c. The pad and pit area have been staked.

10. Plan for Restoration of the Surface:

a. After drilling and completion operations are completed, all equipment and other materials not needed for further operations will be removed. Pits will be back filled and the location cleaned of all trash to leave the wellsite as pleasant in appearance as possible.

b. If the proposed operation is nonproductive, all restoration and/or vegetation requirements of the BLM will be complied with, and will be accomplished as quickly as possible. All pits will be filled and leveled within 90 days after abandonment.

11. Other Information:

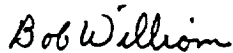
- a. The surface and mineral owner is the Federal Government. The grazing Lessee is The Virgil Linham Estate, and they have been contacted regarding operations.
- b. The topography consists of sandy soil with native grasses. No wildlife was observed, but the usual inhabitants of this region are Jackrabbits, Reptiles, Coyotes, etc.
- c. There are no ponds, lakes, or rivers in this area.
- d. An Archaeological Survey has been made and a copy has been sent to the Roswell BLM office. There is no evidence of any significant archaeological, historical, or cultural sites in the area. Further, there are no occupied dwellings or windmills in the area.
- e. Should any incidental oil be recovered during testing of this well, this oil will be considered waste oil and not sellable due to contamination by drilling and/or completion fluids.

12. Operator's Representative:

I 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 currently exist; that the statements made in this plan are, to the best of my knowledge, true and correct; that the work associated with operations proposed herein will be performed by Harvey E. Yates Company 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.

Bob Williams Drilling Superintendent
Harvey E. Yates Company
P.O. Box 1933
Roswell, NM
505-623-6601

December 12, 2000



Bob Williams
Drilling Superintendent

United States Department of the Interior

BUREAU OF LAND MANAGEMENT
Roswell Resource Area
P.O. Drawer 1857
Roswell, New Mexico 88202-1857

Statement Accepting Responsibilities for Operations

Operator Name: Harvey E. Yates Company
Street or Box: P.O. Box 1933
City, State: Roswell, New Mexico
Zip Code: 88202

The undersigned accepts all applicable terms, conditions, stipulations, and restrictions concerning operations conducted on the leased land or portion thereof, as described below.

Lease No.: NM-40448

Lease Name: Bola 7 Fed #2

Legal description of land: Sec 7, T18S, R32E, Lea County, New Mexico

Formation(s) (if applicable): Bone Springs

Bond Coverage: (State if individually bonded or another's bond): Blanket Bond

BLM Bond File No.:

Authorized Signature: Bob Wallion

Title: Drilling Superintendent

Date: 12-11-00

DISTRICT I
P.O. Box 1980, Hobbs, NM 88241-1980

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised February 10, 1994
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

DISTRICT II
P.O. Drawer DD, Artesia, NM 88211-0719

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

DISTRICT IV
P.O. BOX 2088, SANTA FE, N.M. 87504-2088

OIL CONSERVATION DIVISION

P.O. Box 2088
Santa Fe, New Mexico 87504-2088

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

| | | |
|----------------------------------|---|--|
| API Number <u>30025-35381</u> | Pool Code <u>65350</u> | Pool Name <u>Young Bone Spring, North</u> |
| Property Code <u>26127</u> | Property Name <u>BOLA "7" FEDERAL</u> | Well Number <u>2</u> |
| OGRID No. <u>10179</u> | Operator Name <u>HARVEY E. YATES COMPANY</u> | Elevation <u>3796</u> |

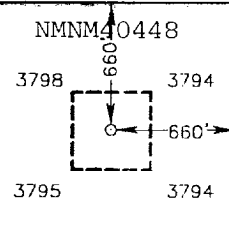
Surface Location

| | | | | | | | | | |
|---------------------------|---------------------|-------------------------|---------------------|---------|------------------------------|----------------------------------|-----------------------------|-------------------------------|----------------------|
| UL or lot No. <u>A</u> | Section <u>7</u> | Township <u>18 S</u> | Range <u>32E</u> | Lot Idn | Feet from the <u>660'</u> | North/South line <u>NORTH</u> | Feet from the <u>660</u> | East/West line <u>EAST</u> | County <u>LEA</u> |
|---------------------------|---------------------|-------------------------|---------------------|---------|------------------------------|----------------------------------|-----------------------------|-------------------------------|----------------------|

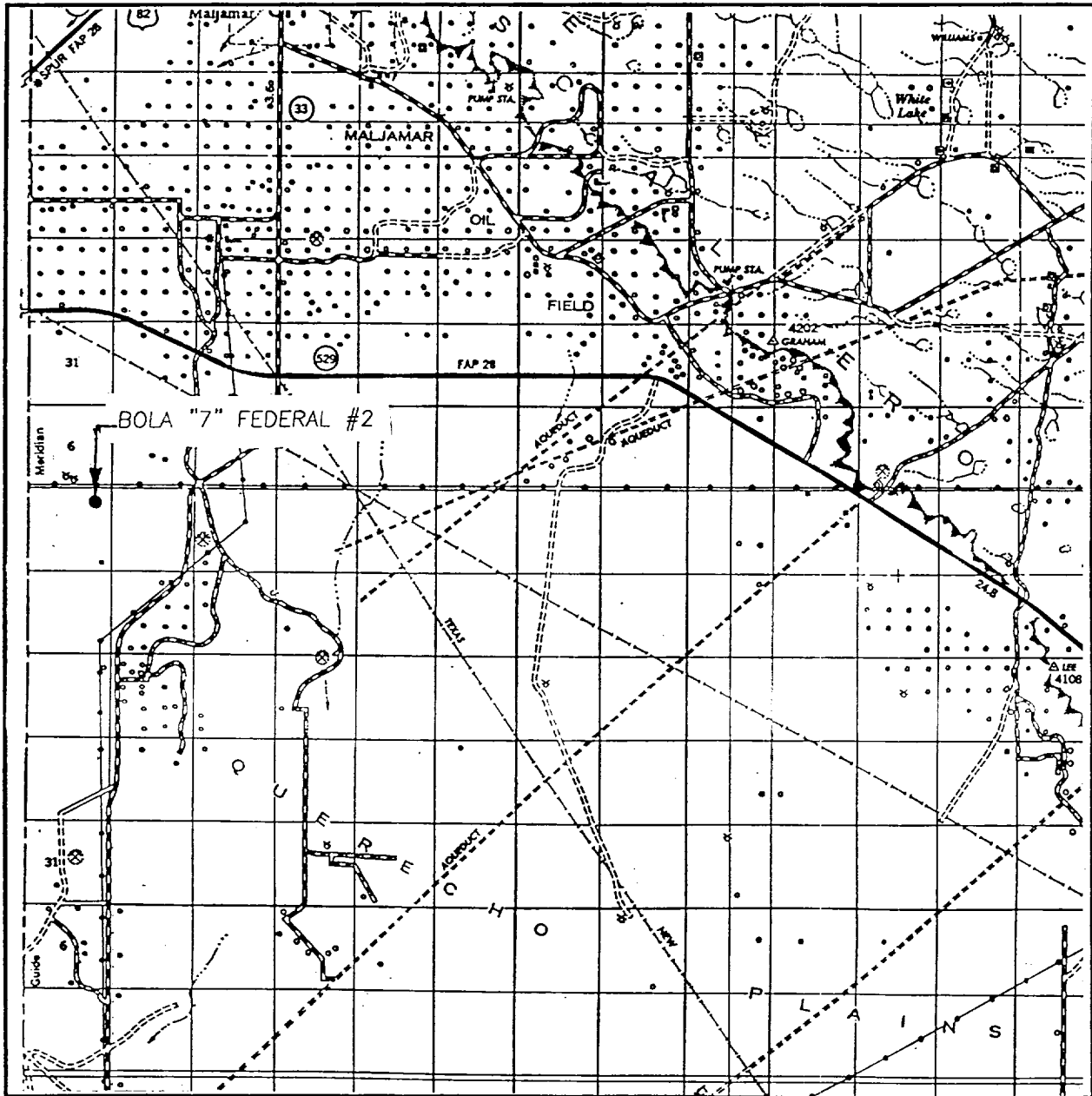
Bottom Hole Location If Different From Surface

| | | | | | | | | | |
|------------------------------|-----------------|--------------------|-----------|---------|---------------|------------------|---------------|----------------|--------|
| UL or lot No. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
| | | | | | | | | | |
| Dedicated Acres <u>40</u> | 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>I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.</i> <u>Bob Williams</u> Signature <u>Bob Williams</u> Printed Name <u>Drilling Superintendent</u> Title <u>December 11, 2000</u> Date |
| | | | | SURVEYOR CERTIFICATION <i>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.</i> <u>DECEMBER 11, 2000</u> Date Surveyed <u>AWB</u> Signature & Seal of Professional Surveyor <u>Barry G. Eldon 12/5/00</u> <u>00-11-1561</u> Certificate No. RONALD J. EIDSON 3239 GARY EIDSON 12641 |

VICINITY MAP



SCALE: 1" = 2 MILES

SEC. 7 TWP. 18-S RGE. 32-E

SURVEY N.M.P.M.

COUNTY LEA

DESCRIPTION 660' FNL & 660' FEL

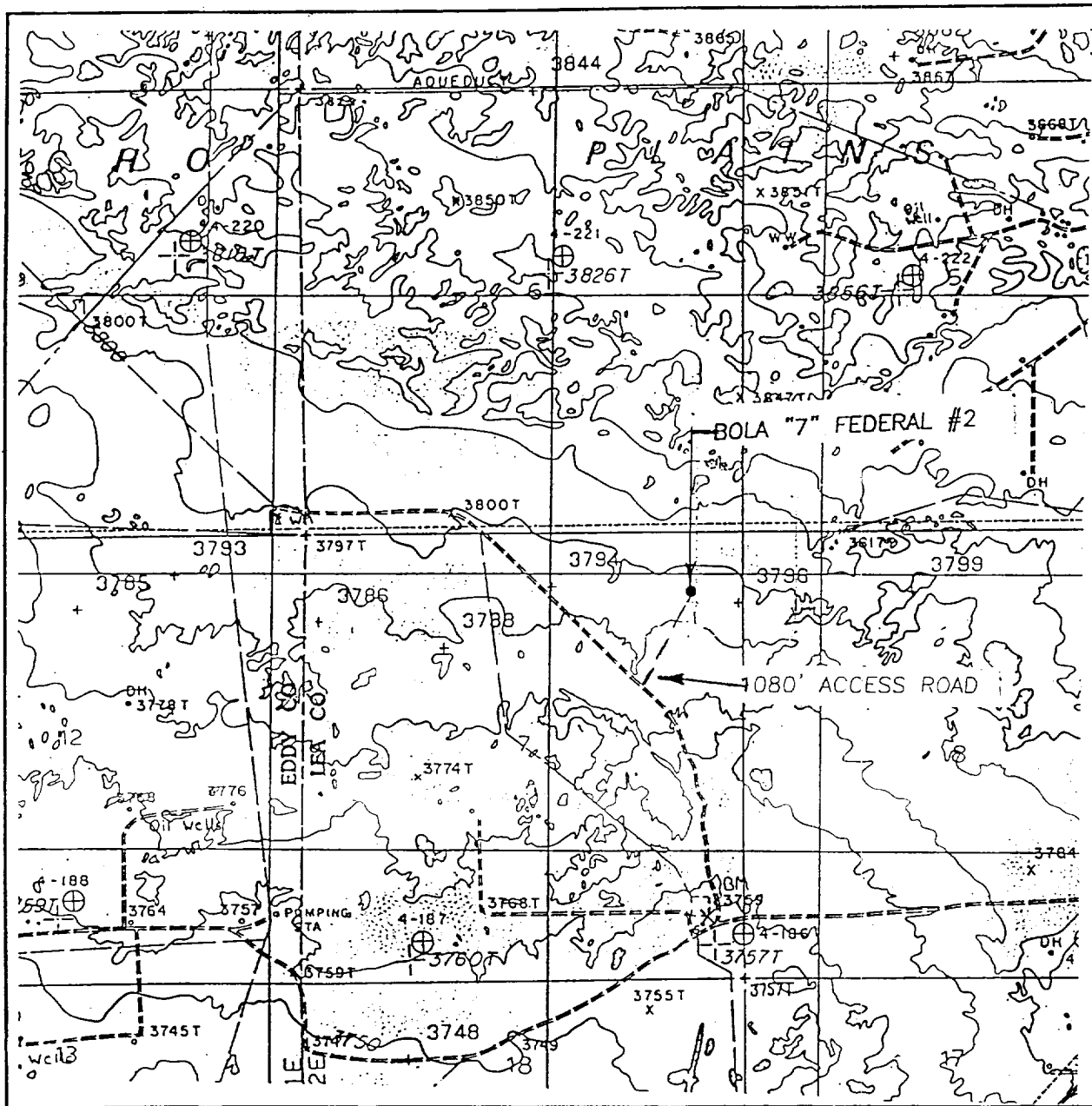
ELEVATION 3796

OPERATOR HARVEY YATES COMPANY

LEASE BOLA 7 FEDERAL

JOHN WEST SURVEYING
HOBBS, NEW MEXICO
(505) 393-3117

LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL: 10'
MALJAMR, NM

SEC. 7 TWP. 18-S RGE. 32-E

SURVEY N.M.P.M.

COUNTY LEA

DESCRIPTION 660' FNL & 660' FEL

ELEVATION 3796

OPERATOR HARVEY YATES COMPANY

LEASE BOLA "7" FEDERAL

U.S.G.S. TOPOGRAPHIC MAP
MALJAMR NM

JOHN WEST SURVEYING
HOBBS, NEW MEXICO
(505) 393-3117

EXHIBIT "C" BOP STACK
Bola 7 Fed #2
660' FNL & 660' FEL
Sec 7, T18S, R32E
Lea County, NM

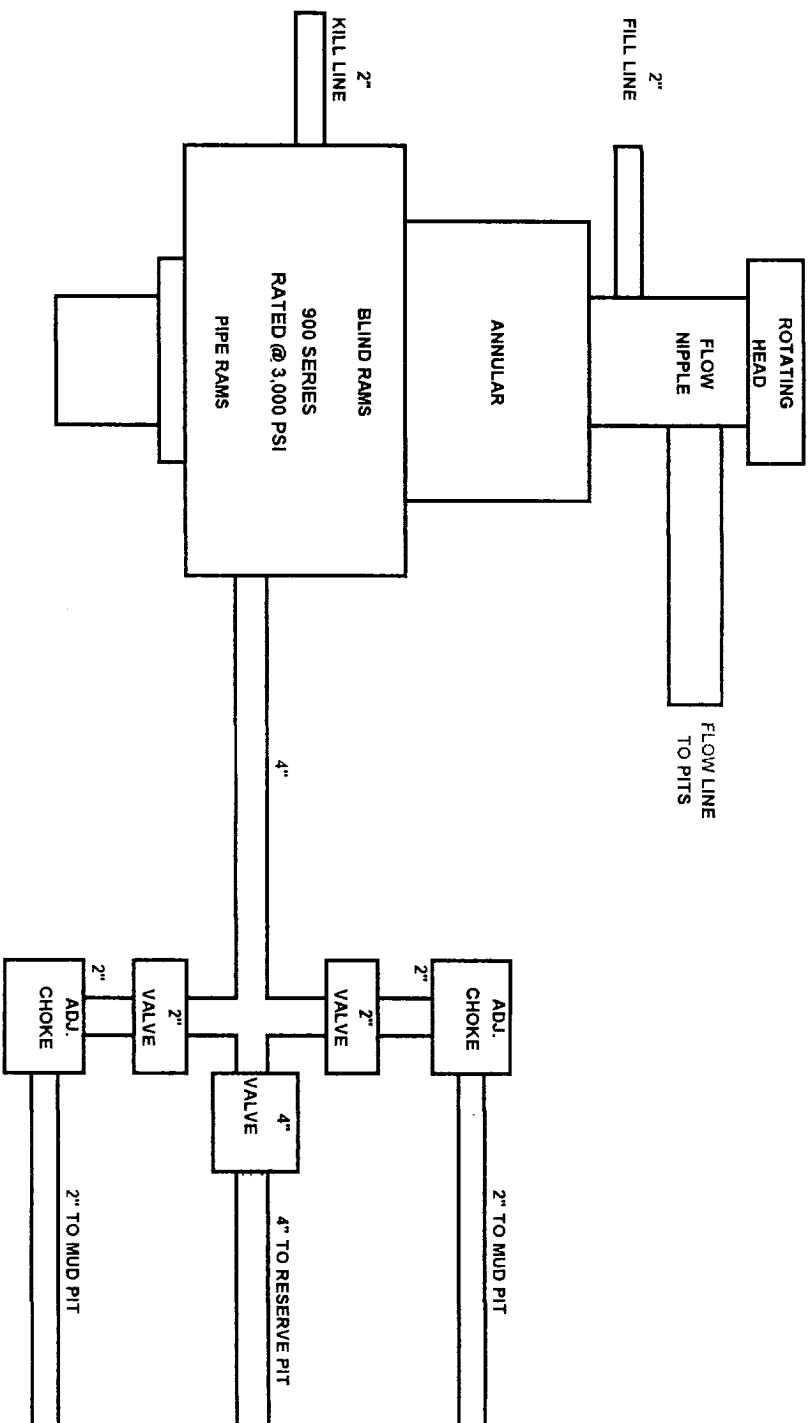


EXHIBIT "D" LOCATION DIAGRAM

Bola 7 Fed #2
660' FNL & 660' FEL
Sec 7, T18S, R32E
Lea County, NM

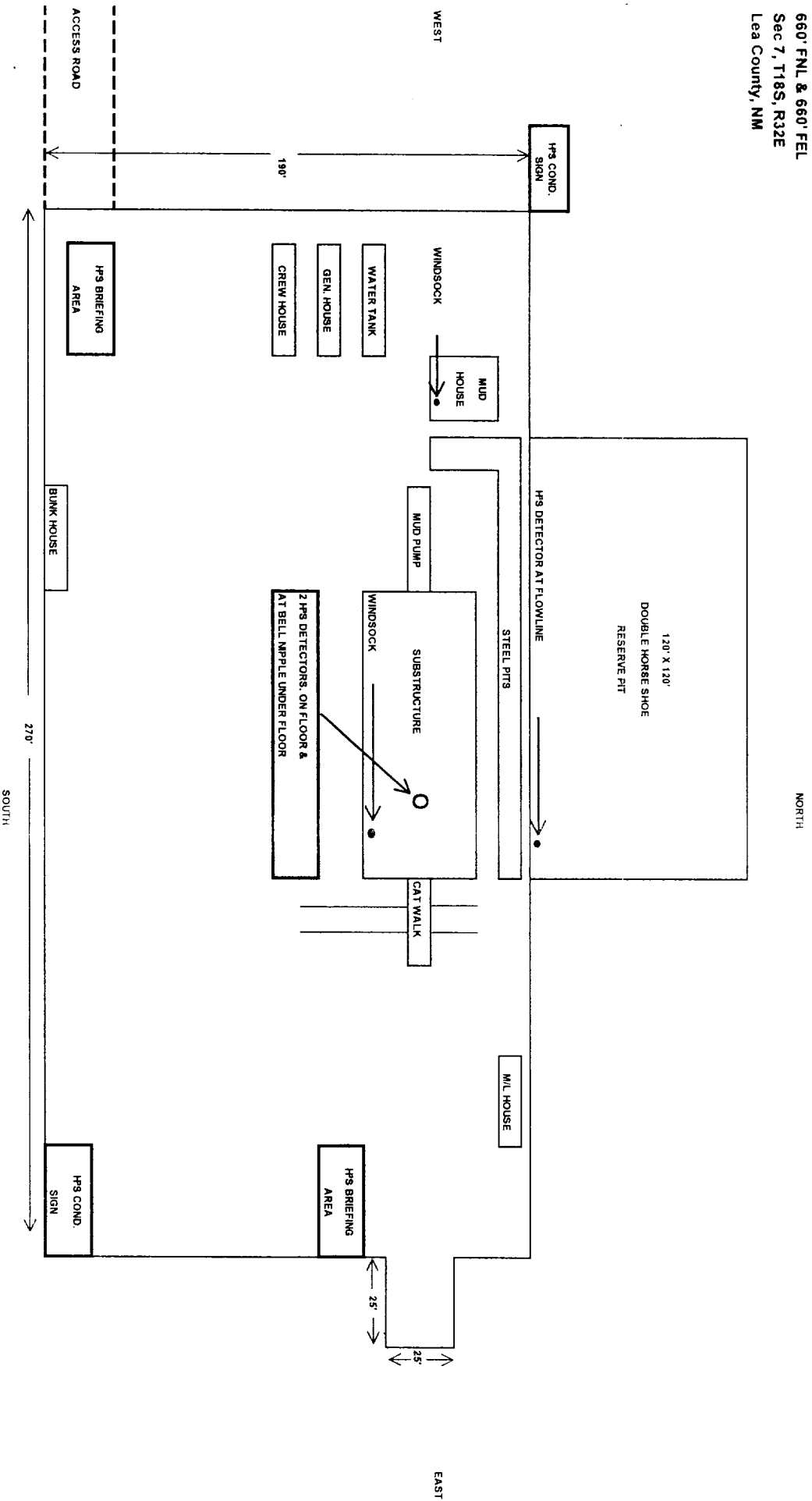


EXHIBIT "E" CASING DESIGN

Casing Design

Bola 7 Fed #2
660' FNL & 660' FEL
Sec 7, T18S, R32E
Lea County, NM

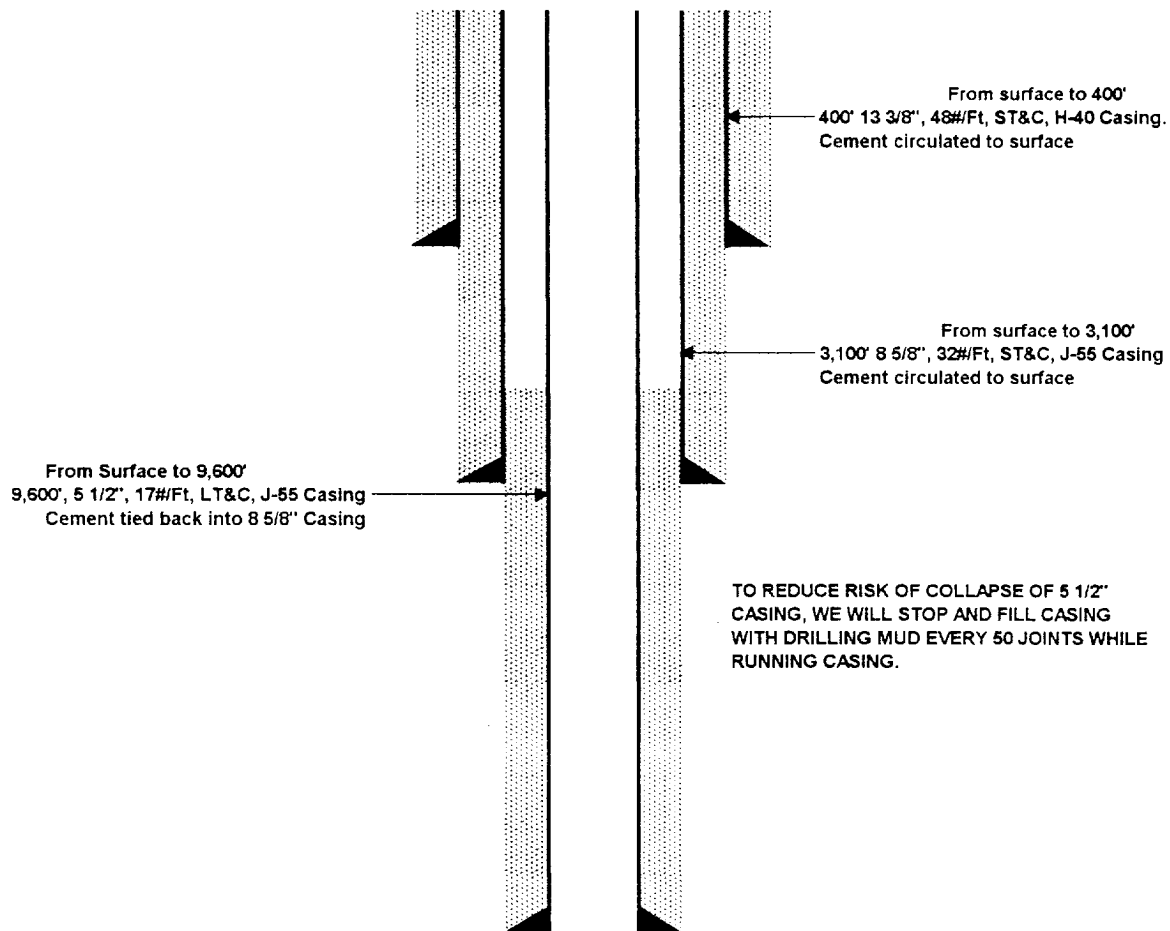


EXHIBIT "F"

Harvey E. Yates Company
Bola 7 Fed #2
Section 7, T18S, R32E
Lea County, New Mexico

HYDROGEN SULFIDE DRILLING OPERATIONS PLAN

I Hydrogen Sulfide Training

All personnel, whether regularly assigned, contracted, or employed on an unscheduled basis will show proof of training from a qualified instructor in the following areas before commencing any work on the above named well.

1. The hazards and characteristics of hydrogen sulfide (H²S)
2. The proper use and maintenance of personal protective equipment and life support systems.
3. The proper use of H²S detectors, alarms, warning signs, briefing areas, and evacuation procedures.
5. The proper technique for rescues.

II H²S Safety Equipment and Systems

All H²S safety equipment and systems will be installed 1,000 feet prior to penetrating the first zone containing or reasonably expected to contain H²S.

1. Well Control Equipment
 - A. Choke manifold with a minimum of two adjustable chokes.
 - B. Blind and pipe rams to accommodate all pipe in use.
 - C. Auxiliary equipment to include annular preventer and rotating head.
2. Protective equipment for essential personnel
 - A. Four 5 minute escape units in top dog house.
 - B. One 30 minute SCBA at each briefing area.
3. H²S detection and monitoring equipment
 - A. Three channel monitor located on floor, with detectors located on floor, on flow nipple, and on flow line on mud pit.
4. Visual Warning Systems
 - A. Windsock located on floor and mud pits.
 - B. Briefing area signs located on NE & SW corners of pad.
 - C. H²S Condition sign located at entrance to location.
5. Mud Program

The mud program has been designed to minimize the volume of possible H²S circulated to surface. Proper weight, safe drilling practices, and the use of H²S scavengers will minimize hazards when penetrating possible H²S bearing zones.

6. Metallurgy

All drill strings, casing, tubing, wellhead, blowout preventers, drilling spool, kill lines, choke manifolds, and associated lines and valves shall be suitable for an H²S environment.

7. Communications

Drilling rig and company vehicles will be equipped with two way radios or cellular telephones.

8. Well testing

One Drill Stem Test is planned for this well.

DOES NOT
INDICATE WHEN
CONFIDENTIAL LOGS
WILL BE RELEASED