

UTAH OIL AND GAS CONSERVATION COMMISSION

REMARKS: WELL LOG _____ ELECTRIC LOGS _____ FILE WATER SANDS _____ LOCATION INSPECTED _____ SUB. REPORT/abd. _____

DATE FILED **9-25-89**

LAND: FEE & PATENTED _____ STATE LEASE NO _____ PUBLIC LEASE NO. **U-39243** INDIAN _____

DRILLING APPROVED: **10-2-89**

SPUDDED IN: _____

COMPLETED: **6-18-91 LA** PUT TO PRODUCING: _____

INITIAL PRODUCTION: _____

GRAVITY A.P.I. _____

GOR: _____

PRODUCING ZONES: _____

TOTAL DEPTH: _____

WELL ELEVATION: _____

DATE ABANDONED: **LA'D PER BLM EFF 6-18-91**

FIELD: **WILDCAT**

UNIT: **PINTO**

COUNTY: **SAN JUAN**

WELL NO. **SHANE FEDERAL #3** API NO. **43-037-31475**

LOCATION **2510' FNL** FT. FROM (N) (S) LINE. **1020' FWL** FT. FROM (E) (W) LINE. **SENW** 1/4 - 1/4 SEC. **7**

TWP.	RGE.	SEC.	OPERATOR	TWP.	RGE.	SEC.	OPERATOR
				37S	24E	7	YATES PETROLEUM CORP.

RECEIVED
SEP 25 1989

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

1a. TYPE OF WORK
 DRILL DEEPEN PLUG BACK

b. TYPE OF WELL
 OIL WELL GAS WELL OTHER SINGLE ZONE MULTIPLE ZONE

2. NAME OF OPERATOR
 Yates Petroleum Corporation (505) 748-1471

3. ADDRESS OF OPERATOR
 105 South 4th St., Artesia, NM 88210

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements*)
 At surface: 2510' FNL & 1020' FWL (SENW)
 At proposed prod. zone: Same

5. LEASE DESIGNATION AND SERIAL NO.
 U-39243

6. IF INDIAN, ALLOTTEE OR TRIBE NAME
 N/A

7. UNIT AGREEMENT NAME
 Pinto

8. FARM OR LEASE NAME
 Shane Federal

9. WELL NO.
 #3

10. FIELD AND POOL, OR WILDCAT
 Wildcat (001)

11. SEC., T., R., M., OR BLK. AND SURVEY OR AREA
 7-37s-24e SLBM

12. COUNTY OR PARISH
 San Juan

13. STATE
 Ut.

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*
 7 air miles ESE of Blanding, Utah

15. DISTANCE FROM PROPOSED* LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT. (Also to nearest drlg. unit line, if any)
 1020'

16. NO. OF ACRES IN LEASE
 2,475

17. NO. OF ACRES ASSIGNED TO THIS WELL
 40

18. DISTANCE FROM PROPOSED LOCATION* TO NEAREST WELL, DRILLING, COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT.
 N/A

19. PROPOSED DEPTH
 Akeh 6,450'

20. ROTARY OR CABLE TOOLS
 Rotary

21. ELEVATIONS (Show whether DF, RT, GR, etc.)
 5,983' ungraded ground

22. APPROX. DATE WORK WILL START*
 Oct. 23, 1989

23. PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
17-1/2"	13-3/8"	48* (H-40, ST&C)	80'	*75 cu ft or to surface
12-1/4"	8-5/8"	24*(J-55, ST&C)	2,300'	*1,475 cu ft or to surface
7-7/8"	5-1/2"	15.5(J-55, ST&C)	6,450'	*500 cu ft or to 5,000'

1. Federal lease is all Sections 5-8, T. 37 S., R. 24 E., San Juan County, Utah. All of lease is in unit.
2. Request exception to Rule 302 because of geology. Exception is to quarter-quarter line, not to another well, lease line (1,020' away), nor unit line (1,028' away).
 - a) Orthodox well could be drilled at 1980 FN & 660 FW, but would likely be a dry hole.
 - b) Request permission to drill at 2510' FNL & 1020' FWL 7-37s-24e, San Juan County, Utah.
 - c) One existing well offsets the proposed exception, it is Samedan's Shane Federal*1 (a unit well) which is 1,454' southeast in NESW 7-37s-24e. Seven potential wells could offset the proposed location and six would be in Samedan's Pinto Unit.
 - d & e) Yates is the lessee or operator of all lands and drilling units within a minimum 1,028' radius.

Please Keep Confidential. Tight Hole.

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen or plug back, 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.

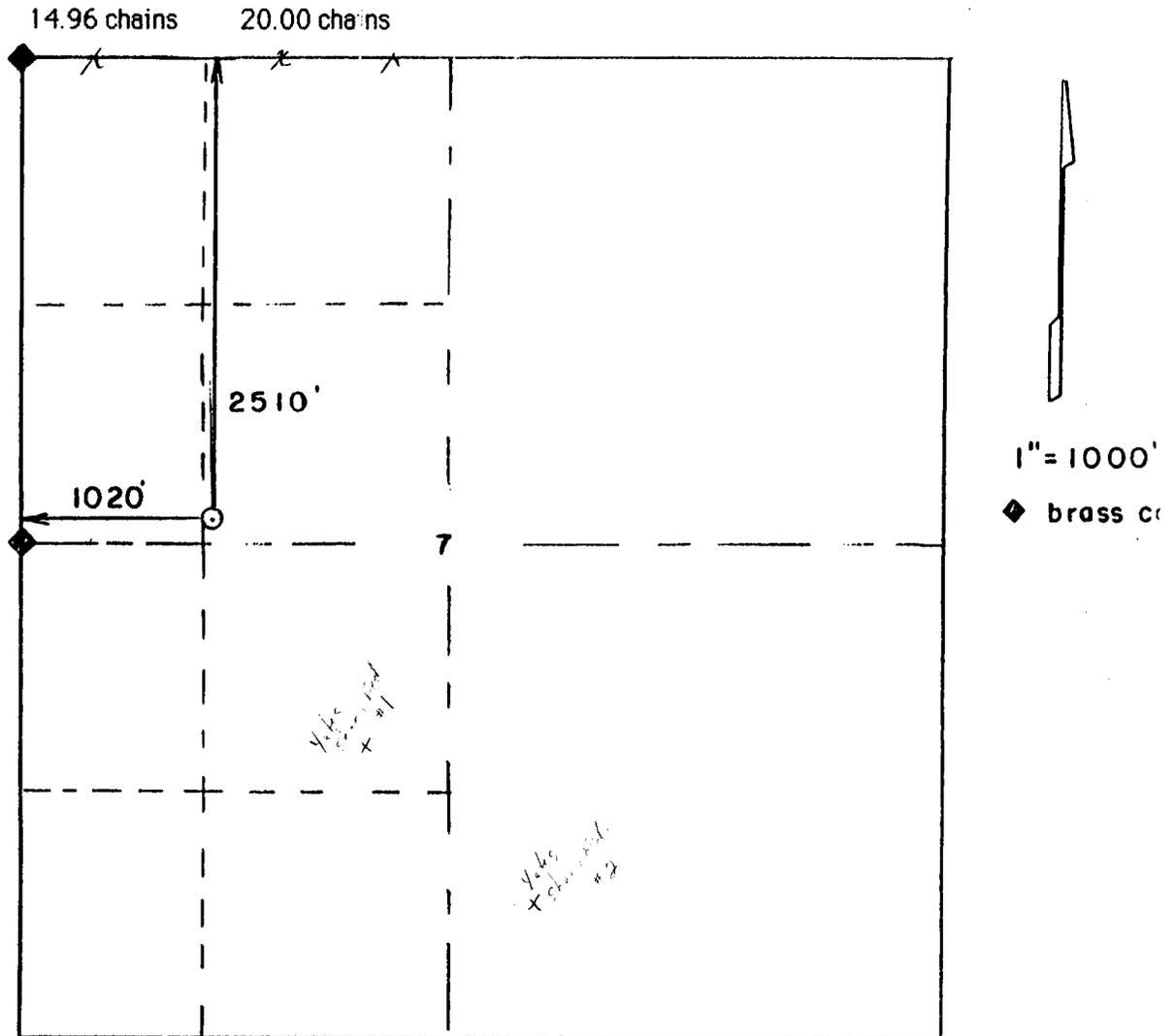
24. SIGNED Brian Wood TITLE Consultant DATE 9-21-89

(This space for Federal or State office use)
 PERMIT NO. 43-037-31475 APPROVAL DATE _____

APPROVED BY _____ TITLE _____ DATE: 10-2-89
 BY: John R. Boy
 WELL SPACING: R615-2-3

*See Instructions On Reverse Side

Well will be drilled by Yates Petroleum Corporation. If productive, well will be operated by Samedan Oil Corporation since it is the Pinto Unit operator. Samedan has filed a Designation of Agent.



WELL LOCATION DESCRIPTION:
 SAMEDAN OIL, Shane Federal # 3
 2510' FNL & 1020' FWL
 Section 7, T.37 S., R.24 E., SLM
 San Juan County, UT
 5983' ground elevation

The above plat is true and correct my knowledge and belief

5 September 1989

17289
 Gerald G. Huddleston
 Gerald G. Huddleston, LS
 REGISTERED
 STATE OF UTAH

RECEIVED
 SEP 25 1989

DIVISION OF
 OIL, GAS & MINING

Yates Petroleum Corporation
Shane Federal #3
2510' FNL & 1020' FWL
Sec. 7, T. 37 S., R 24 E.
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All lease operations will be conducted in full compliance with applicable laws, regulations (43 CFR 3100), Onshore Oil & Gas Order #1, and the approved plan of operations. The operator is fully responsible for the actions of his subcontractors. Yates Petroleum Corporation will furnish a copy of these conditions to its field representative to assure compliance.

Drilling Program

1. ESTIMATED FORMATION TOPS

<u>Formation Name</u>	<u>Depth from GL**</u>	<u>Depth from KB*</u>	<u>Subsea Depth*</u>
Dakota Ss	000'	13'	+5,983'
Morrison Ss & Sh	100'	113'	+5,883'
Entrada Ss	1,042'	1,055'	+4,941'
Navajo Ss	1,247'	1,260'	+4,736'
Chinle Sh	2,142'	2,155'	+3,841'
Shinarump Ss	2,822'	2,835'	+3,161'
Cutler Ss & Sh	2,927'	2,940'	+3,056'
Honaker Trail	4,742'	4,755'	+1,241'
Paradox Sh	5,892'	5,905'	+ 91'
Upper Ismay Ls	6,052'	6,065'	- 69'
Lower Ismay Ls	6,232'	6,245'	- 249'
Desert Creek Ls	6,307'	6,320'	- 324'
Akah Shale	6,407'	6,420'	- 424'
Total Depth (TD)	6,450'	6,463'	- 467'

* based on an ungraded GL of 5,983'

2. NOTABLE ZONES

The estimated depths from ungraded GL at which water, oil, gas, or other

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mineral bearing zone formation tops are expected to be encountered are:

Possible Fresh Water Zones

Dakota: 000'

Morrison: 100'

Entrada: 1,042'

Navajo: 1,247'

Possible Uranium Zones

Morrison: 100'

Chinle: 2,142'

Possible Oil & Gas Zones

Honaker Trail: 4,742'

Upper Ismay: 6,052'

Lower Ismay: 6,232'

Desert Creek: 6,307'

Possible Salt Water Zones

Shinarump: 2,822'

Cutler: 2,927'

Water bearing zones will be protected with weighted mud. All of the above fresh water zones encountered during drilling will be recorded by depth, cased, and cemented. Promising oil and gas shows will be tested for commercial potential as determined by the wellsite geologist.

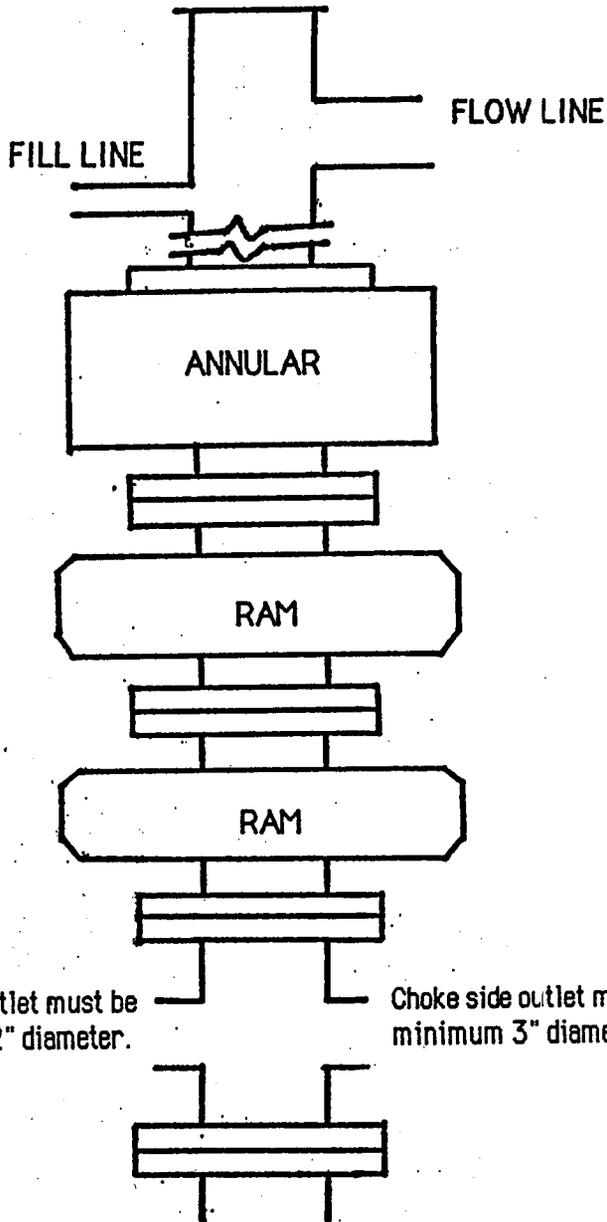
3. PRESSURE CONTROL (Also see "5" on PAGE 4)

BOP systems will be consistent with Onshore Order #2. A 3,000 psi double ram and annular preventer with a 3,000 psi choke manifold will be used. A diagram of a typical BOP is on Page 3. Actual model will not be known until bid is let. A kelly cock and sub with full opening valve will be on the floor.

Ram type preventers will be tested to the rated working pressure of the stack or to 70% of the internal yield of the casing, whichever is less. The annular type preventer will be tested to 50% of its rated working pressure.

The Resource Area will be notified one day before pressure testing BOP. Pressure tests will be conducted with rig pumps before drilling out from under all casing strings which are set and cemented in place. BOP controls

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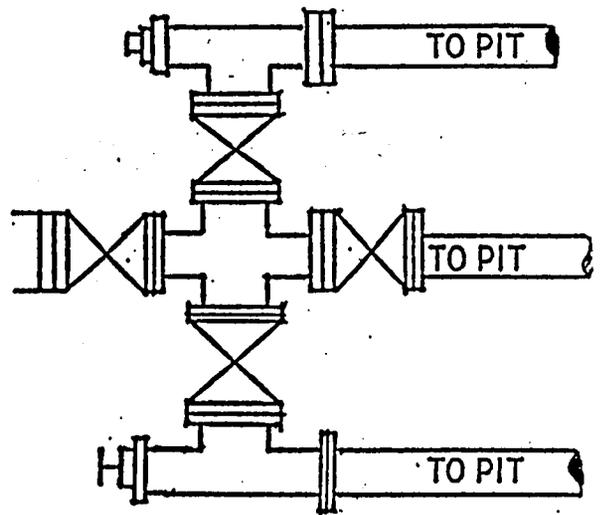


TYPICAL BOP STACK
 & CHOKE MANIFOLD

There will be at least 2 chokes and 2 choke line valves (3" minimum). The choke line will be 3" in diameter. There will be a pressure gauge on the choke manifold.

Fill side outlet must be minimum 2" diameter.

Choke side outlet must be minimum 3" diameter.



Fill line will be minimum 2" diameter and have 2 valves, one of which shall be a minimum 2" check valve.

Upper kelly cock will have handle available.
 Safety valve and subs will fit all drill string connections in use.
 All BOPE connections subjected to well pressure will be flanged, welded, or clamped.

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will be installed before drilling out the surface casing plug, and will stay in use until the well is completed or abandoned. Preventers will be pressure tested before drilling casing cement plugs.

BOPs will be inspected and operated at least daily to assure good mechanical working order. All BOP mechanical tests, pressure tests, and inspections will be recorded on the drillers log or daily drilling report.

4. CASING & CEMENT

<u>Hole Size</u>	<u>O.D.</u>	<u>Weight</u>	<u>Grade</u>	<u>Type</u>	<u>Age</u>	<u>Setting Depth (GL)</u>
17-1/2"	13-3/8"	48*	H-40	ST&C	New	0' - 80'
12-1/4"	8-5/8"	24*	J-55	ST&C	New	0' - 2,300'
7-7/8"	5-1/2"	15.5*	J-55	ST&C	New	0' - 6,450'

Conductor Pipe (0' - 80'): Cement to surface with \approx 75 cu. ft. standard cement.

Surface Casing (0' - 2,300'): The Resource Area will be notified 1 day before running and cementing surface string. Casing will be set at least 150' into Chinle. Shoe @ \approx 2,300' and float @ \approx 2,260'. Cement to surface in one stage with \approx 1,475 cu. ft. (50% excess) Class C cement with 2% CaCl₂.

Production Casing (0' - 6,450'): Cement across zones of interest in one stage, if warranted, with \approx 500 cu. ft. (50% excess) Class C to estimated top at 5,000'. Float collar will be set \approx 40' above TD with casing shoe at TD (6,450').

5. MUD PROGRAM

There will be a flow sensor and bit level indicator.

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<u>Depth</u>	<u>Type</u>	<u>Weight (ppg)</u>	<u>Viscosity (sec/qt)</u>	<u>FL(cc)</u>
0' - 5,500'	Fresh Water			
5,500' - 6,450'	Fr. Water gel & starch	8.5-9.8	35-45	10-15

6. CORING, TESTING, & LOGGING

No cores are planned. Cuttings will be collected every 10' from the base of the surface casing (2,300') to TD (6,450'). Drill stem tests may be run in the Upper and Lower Ismay (primary objectives), Desert Creek (secondary objective), and elsewhere (e.g., Honaker Trail) if good shows are found. The following logs may be run from the base of the surface casing to TD:

CIL and CNL/LDT
Dipmeter
DLL and BHC-Sonic

Whether the well is completed as a dry hole or producer, "Well Completion or Recompletion Report and Log" (Form 3160-4) will be submitted no more than 30 days after well completion or recompletion *per* 43 CFR 3162.4-1(b). Two copies of all logs, core descriptions & analyses, well test data, geologic summaries, sample descriptions, and all data obtained during drilling, workover, and/or completion operations, will be filed with Form 3160-4. (If requested, sample cuttings, fluids, and/or gases will be submitted to the District Office.)

7. DOWNHOLE CONDITIONS

The maximum anticipated bottom hole pressure is \approx 2,600 psi. No abnormal pressures, temperatures, or hydrogen sulfide are expected.

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8. MISCELLANEOUS

The anticipated spud date is October 23, 1989. It is expected it will take \approx 3 weeks to drill the well and \approx 10 days to complete the well.

The spud date will be phoned to the Resource Area, a minimum of 24 hours before spudding. A Sundry Notice (Form 3160-5), reporting the spud date and time, will be sent to the District Office within 24 hours after spudding. If spudded on a weekend or holiday, the Sundry will be sent on the following regular week day.

Starting with the month in which operations begin, and continuing each month until the well is physically plugged and abandoned, a "Monthly Report of Operations" (Form 3160-6) will be filed with MMS.

Immediate Report: Spills, blowouts, fires, leaks, accidents, or other unusual events will be promptly reported to the Resource Area *per* NTL-3A.

If the well is successfully completed for production, then the District Office will be notified. Written notice will be sent no more than 5 business days following the date on which the well is placed on production. The Resource Area will schedule a first production conference within 15 days of receipt of the first production notice.

Approval to vent/flare gas during initial well evaluation will be obtained from the District Office. This preliminary approval will not exceed 30 days or 50 MMcf of gas. Approval to vent/flare beyond this initial period will require the District Office's approval *per* NTL-4A.

A Sundry Notice will be sent to the District Office within 30 days after completion of the well for abandonment. The Sundry will note where plugs were set and the current status of surface restoration. Final abandonment will not be approved until reclamation required by the approved APD or

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abandonment notice has been completed to the Area Manager's satisfaction.

Once plugged, a regulation dry hole marker will be installed. The following information will be beaded on with a welding torch: Yates Petroleum Corporation, Shane Federal #3, SENW 7-37s-24e, U-39243.

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13 Point Surface Use Plan

1. DIRECTIONS & EXISTING ROADS (See PAGES 16 & 17)

From US 666 in Monticello, go south \approx 11.6 mi. on US 191.
Then turn left and go southeast \approx 2.9 mi. on gravel County Road #204
(Alkali Road).
Then turn left and go southeast \approx 9.5 mi., still on gravel county road #204.
Then turn right on top of a hill and go southeast \approx 100 yards on a new
(flagged) road to the Shane #3 well.

Existing roads are successively state, county, and BLM. No upgrading is needed. Roads will be maintained to a standard at least equal to their present condition. An Encroachment Permit has been approved by the San Juan County Road Department.

2. NEW ROAD (See PAGE 17)

Construction will begin uphill and north of the Shane #3. There will be \approx 200 yards of new road to be built, of which half will lead to the well and half will be a permanent detour for access to corrals to the west. (The reserve pit will block the existing corral access. The corral road from the reserve pit west to the detour will be blocked and ripped.)

All will be flat bladed with a 16' wide running surface and 30' maximum disturbed width. Maximum cut or fill will be 2'. Maximum grade is 7%. No cattleguards, culverts, or turnouts are needed.

Surface disturbance and vehicle travel will be limited to the approved location and road. Any additional area needed will be approved in advance

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by the Area Manager.

The new road will be water barred or upgraded to Class 3 Road Standards within 60 days of dismantling the drill rig. If the deadline cannot be met, the Resource Area will be notified so that temporary drainage control can be installed. Class 3 Road Standards control drainage through the use of topography, ditch turnouts, dips, outsloping, crowning, low water crossings, and culverts.

3. EXISTING WELLS (See PAGE 17)

There are no water, injection, or disposal wells within one mile. There are 2 existing or proposed oil or gas wells within a one mile radius. All are in the Pinto Unit and in Section 7. They are:

Samedan's Shane Federal #1 is 1,454' away @ 1565 FSL & 1835' FWL

Yates' Shane Federal #2 will be 2,695' away @ 700' FSL & 2200' FEL

4. PROPOSED PRODUCTION FACILITIES

The type and layout of the production facilities are not known now. It is anticipated production will be piped parallel along roads to the Shane #1. A Sundry Notice will be submitted before they are installed.

All permanent (on site for 6 or more months) surface facilities will be painted Juniper green. Painting will be completed within 6 months of installation. Parts required to comply with OSHA colors are excluded.

The tank battery will be surrounded by a dike of sufficient capacity to contain 150% of the storage capacity of the largest tank in the battery. All loading lines and valves will be placed inside the dike.

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All site security guidelines in 43 CFR 3162.7-5 and Onshore Order #3 will be obeyed.

All off-lease storage, off-lease measurement, or commingling on-lease or off-lease must have prior written approval from the District Office.

Oil and gas will be measured *per* Onshore Orders #4 & #5, respectively. Gas meter run will be within 500' of its wellhead. The gas line will be buried from the wellhead to the meter and downstream on the remainder of the pad. Meters will be housed and/or fenced.

5. WATER SUPPLY (See PAGE 17)

Water will be trucked ≈14 mi. from Recapture Lake. An Application to Appropriate Water has been approved by the State of Utah Div. of Water Rights.

6. CONSTRUCTION METHODS & MATERIALS

The Resource Area will be notified 48 hours before starting construction.

Pad construction materials are native *in situ* soils on lease. The use of materials under BLM jurisdiction will comply with 43 CFR 3610.1-3.

The top 6" of soil will be stockpiled north of the reserve pit and west of the pad. Topsoil along the access will be reserved by windrowing along the road. Brush will be stockpiled southwest of the reserve pit. The corral road from the reserve pit west to the detour will be blocked and ripped.

7. WASTE DISPOSAL

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Over half of the reserve pit capacity is in cut. The reserve pit will be fenced on 3 sides with 4 strands of barbed wire or woven wire topped with barbed wire. The 4th side will be fenced once the rig moves off. The fence will be kept in good repair while the pit dries.

All trash will be placed in a trash cage near the mud tanks. When full, it will be hauled to the Blanding dump or an approved landfill in Dolores County or Montezuma County, Colorado. A burning permit is required for burning trash between May 1 and October 31. Call the San Juan County Sheriff at (801) 587-2237 for a burning permit. The road and pad will be kept litter free.

Human waste will be disposed of in 10' deep ratholes or chemical toilets. The ratholes will be immediately filled when the trailers are removed.

Produced water will be confined to the reserve pit for a period not to exceed 90 days after initial production. During the 90 day period an NTL-2B application will be submitted for the District Manager's approval of a permanent disposal method and site.

8. ANCILLARY FACILITIES

There will be no airstrip or formal camp. Three camper trailers may be on site for the company man, muc logger, and tool pusher.

9. WELL SITE LAYOUT

See PAGES 18-20 for depictions of the well pad, cross sections, cut and fill diagrams, reserve pit, trash cage, access onto the pad, parking, living facilities, and rig orientation.

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10. RECLAMATION

Immediately upon completion of drilling, all trash and debris will be collected from the pad and surrounding area and placed in the trash cage.

Yates' dirt contractor will call the Resource Area 48 hours before starting reclamation with earth moving equipment, and after completing reclamation. The reserve pit will be totally dry before it is backfilled.

All disturbed areas will be recontoured to blend as nearly as possible with the natural topography.

Topsoil and brush will be spread evenly over the disturbed area. All disturbed areas will be ripped 6" deep with the contour.

Seed will be broadcast between October 1 and February 28 with the following mix. A harrow or similar implement will be dragged over the area to assure seed cover. If not covered, then rates will increase 50%.

<u>Species</u>	<u>Rate (pounds/acre)</u>
Indian ricegrass	1
Crested wheatgrass	2
Western wheatgrass	2
Fourwing saltbush	1
Desert bitterbrush	1
Yellow sweetclover	1
Wild sunflower	1
Black sagebrush	0.5

The new well road will be blocked to prevent vehicle access and reclaimed. The reserve pit and that part of the pad not needed for production will be reclaimed as previously described.

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11. SURFACE OWNERS

The well and all road construction are on federal land administered by BLM. All other access is on public roads.

12. OTHER INFORMATION

The dirt contractor will be provided with an approved copy of the surface use plan.

There will be no change from the proposed drilling and/or workover plan without prior approval from the District Manager. A Sundry Notice will be filed for approval for all plan changes and other operations *per* 43 CFR 3162.6.

All drilling, producing, suspended, or abandoned wells will be identified *per* 43 CFR 3162.6.

All people in the area who are associated with the project will be informed that they can be prosecuted for disturbing archaeological or paleontological sites or collecting artifacts, arrowheads, or fossils.

If at any time facilities located on public lands authorized by the lease terms are no longer included in the lease (due to unit contraction or other lease or unit boundary change), BLM will process a change in authorization to the appropriate statute. The authorization will be subject to appropriate rent, or other financial obligation determined by BLM.

This permit will be valid for one year from the date of approval. After permit expiration, a new permit will be filed for approval of any future operations.

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The District Office's mailing address is P.O. Box 970, Moab, Utah 84532.
The phone number is (801) 259-6111.

The Resource Area's mailing address is P.O. Box 7, Monticello, Utah 84535.
The phone number is (801) 587-2141.

The nearest hospital is a ≈45 minute drive to Monticello. Monticello's hospital is 3 blocks northwest of the intersection of US 666 and US 191. Phone number is (801) 587-2116. The nearest medical helicopter is in Grand Junction, Colorado, at St. Mary's Hospital. Call (303) 244-2550.

13. REPRESENTATION AND CERTIFICATION

Anyone having questions concerning the APD should call:

Brian Wood
Permits West, Inc.
37 Verano Loop
Santa Fe, NM 87505
(505) 984-8120

The field representative for Yates Petroleum Corporation is Al Springer.

CERTIFICATIONS

I hereby certify that Yates Petroleum Corporation has the necessary consents from the proper lease and unit interest owners to conduct lease and unit operations in conjunction with this APD. Bond coverage *per* 43 CFR 3104 for lease and unit activities is being provided by Yates Petroleum Corporation.

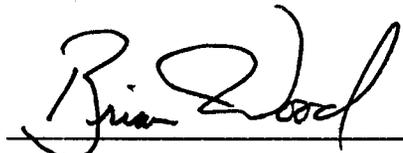
I hereby certify that I have inspected the proposed drill site and access

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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; and that the work associated with 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.

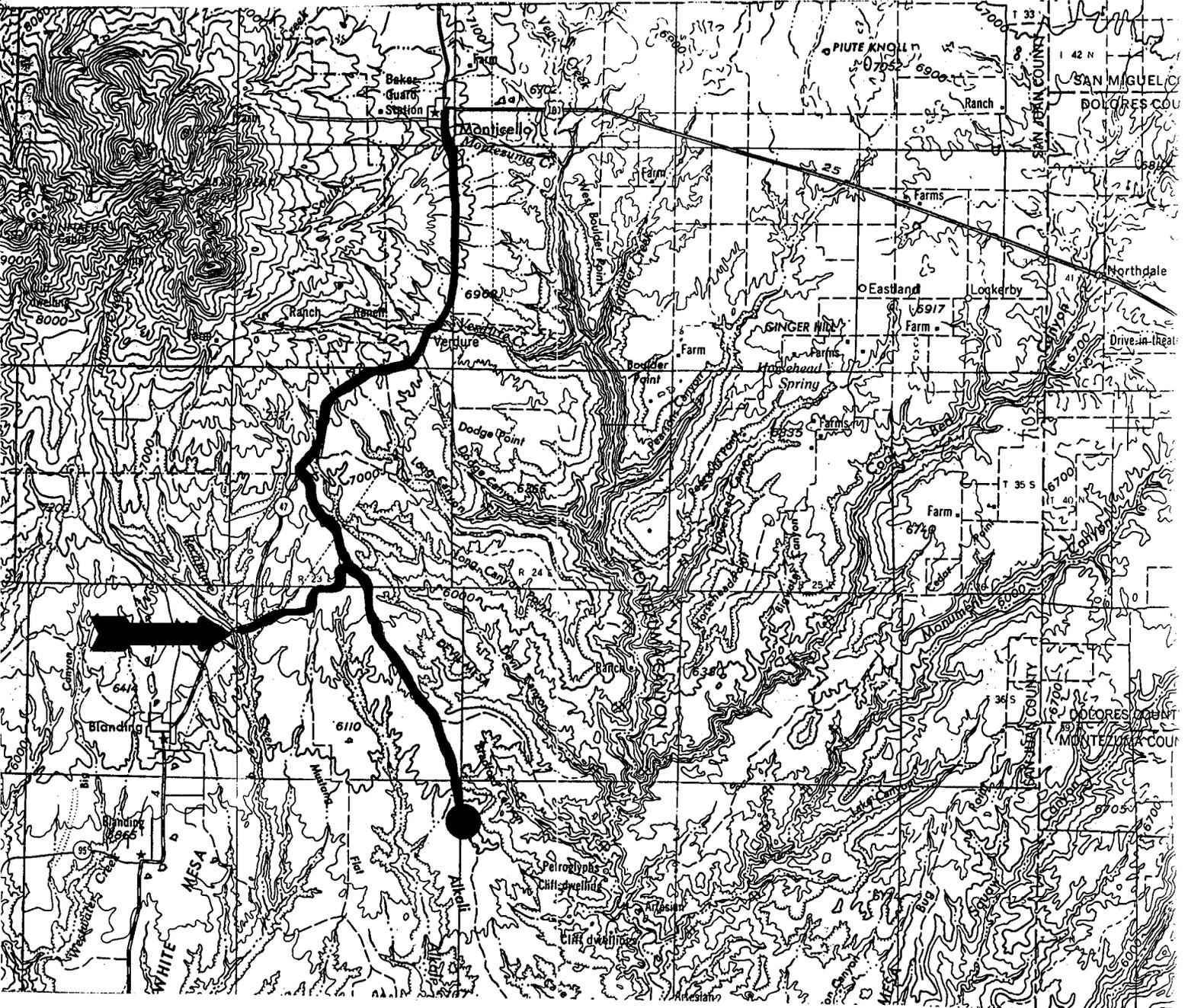


Brian Wood

September 21, 1989
Date

Yates Petroleum Corporation
Shane Federal #3
2510' FNL & 1020' FWL
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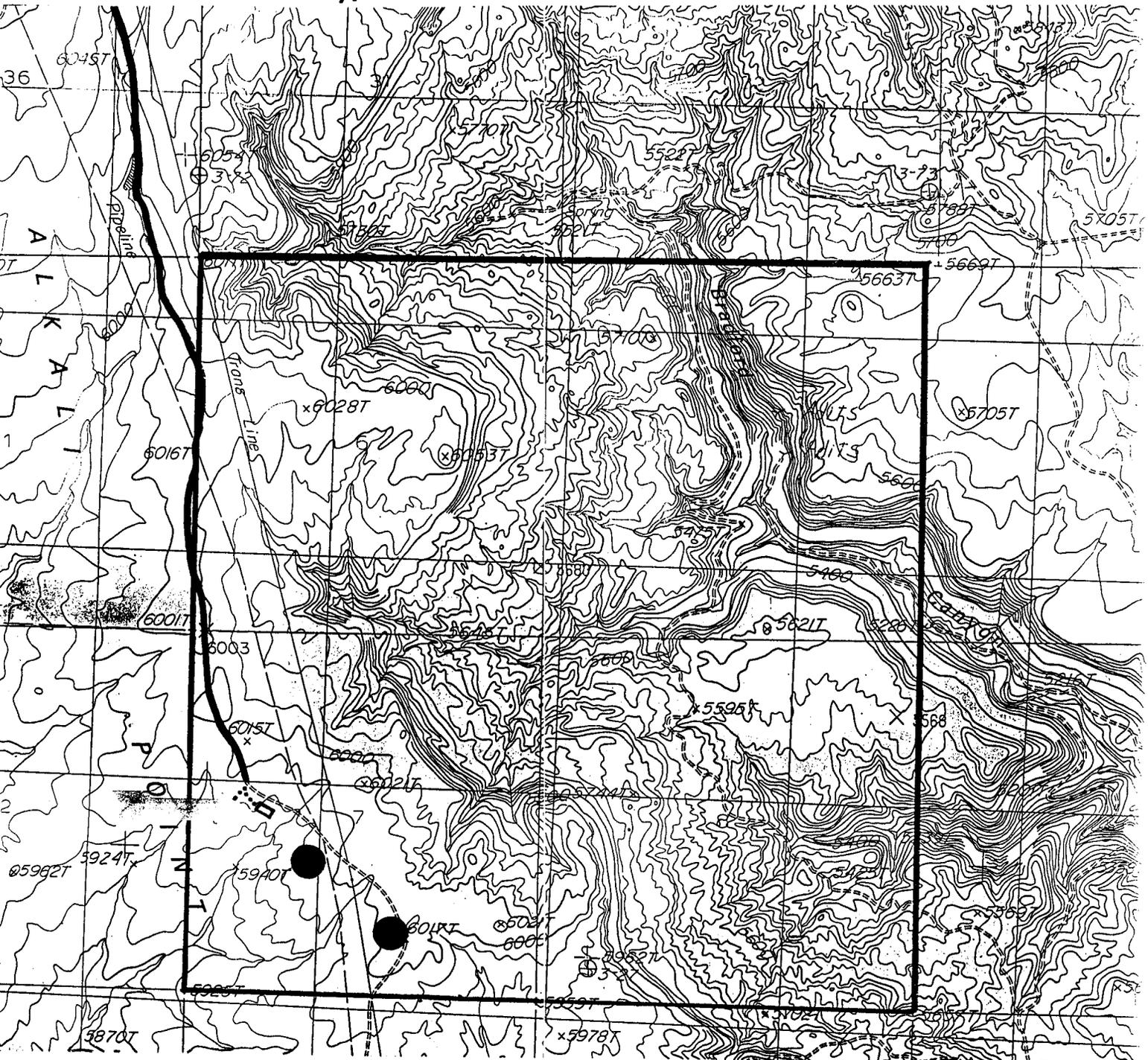
PROPOSED WELL: ●

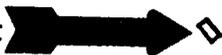
ACCESS ROUTE: ~

WATER SOURCE: ➔

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PROPOSED WELL: 

OTHER WELLS: 

EXISTING ROAD: 

LEASE LINE: 

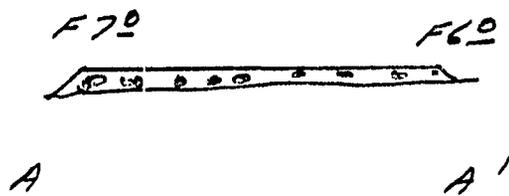
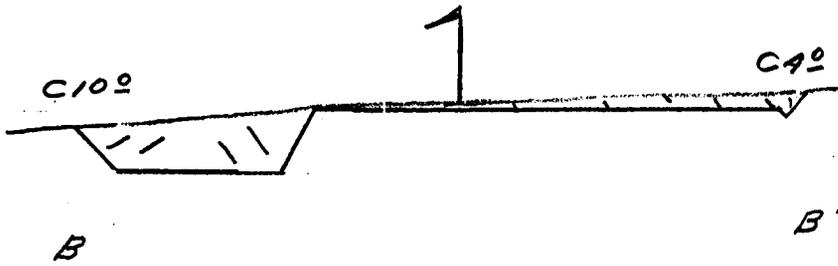
NEW ROAD:

Cross Section

Shane Federal # 3

Cut *////*
Fill *⊘*

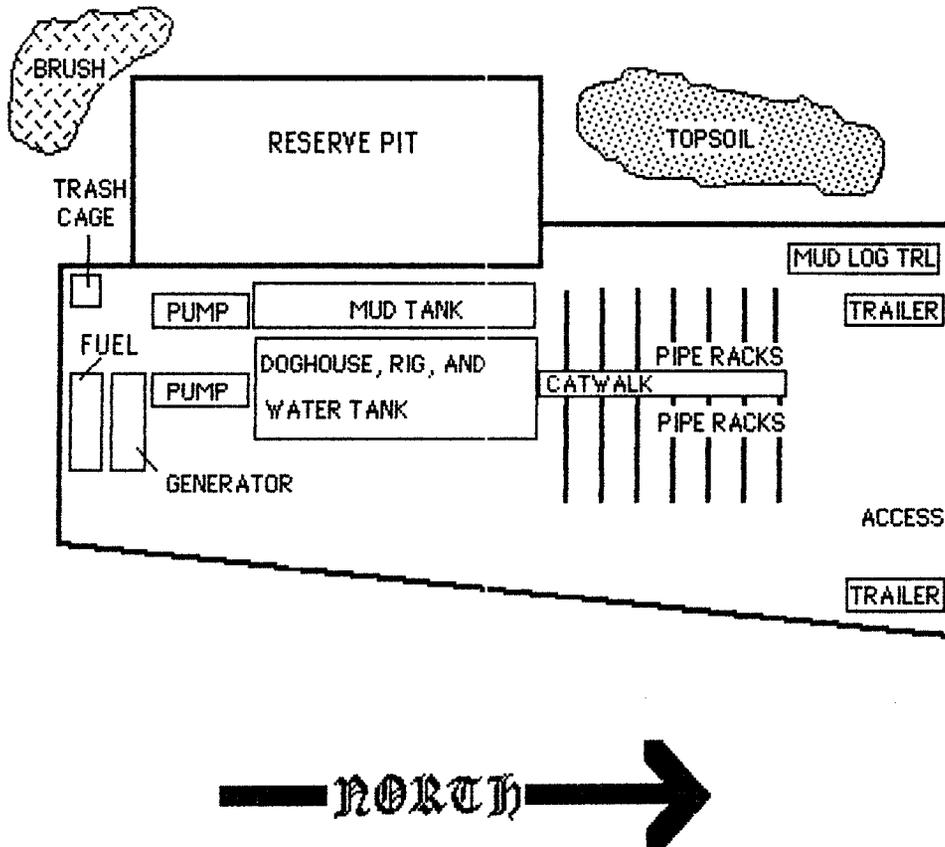
1"=50' Horz. & Vert.



Yates Petroleum Corporation
Shane Federal #3
2510' FNL & 1020' FWL
Sec. 7, T. 37 S., R. 24 E.
San Juan County, Utah

PAGE 20

CONFIDENTIAL



CONFIDENTIAL

OPERATOR Yates Petro. Corp. (N7400) DATE 9-26-89

WELL NAME Shane Federal #3

SEC SENW 7 T 37S R 24E COUNTY San Juan
(Irregular Section)

43-037-31475
API NUMBER

Federal
TYPE OF LEASE

CHECK OFF:

PLAT (Irregular Section)

BOND

NEAREST WELL

LEASE

FIELD

POTASH OR OIL SHALE

PROCESSING COMMENTS:

Nearest well ok under Unit spacing.

Need Water Permit

1989 P.O.D. for the Pinto Unit ok!

APPROVAL LETTER:

SPACING: R615-2-3 Pinto UNIT

R615-3-2

N/A CAUSE NO. & DATE

R615-3-3

STIPULATIONS:

1. Water Permit



State of Utah

DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

Norman H. Bangertter

Governor

Dee C. Hansen

Executive Director

Dianne R. Nielson, Ph.D.

Division Director

355 West North Temple

3 Triad Center, Suite 350

Salt Lake City, Utah 84180-1203

801-538-5340

October 2, 1989

Yates Petroleum Corporation
105 South 4th Street
Artesia, New Mexico 88210

Gentlemen:

Re: Shane Federal #3 - SE NW Sec. 7, T. 37S, R. 24E - San Juan County, Utah
2510' FNL, 1020' FWL

Approval to drill the referenced well is hereby granted in accordance with Section 40-6-18, Utah Code Annotated, as amended 1983; and predicated on Rule R615-2-3, Oil and Gas Conservation General Rules, subject to the following stipulation:

1. Prior to commencement of drilling, receipt by the Division of evidence providing assurance of an adequate and approved supply of water as required by Chapter 3, Title 73, Utah Code Annotated.

In addition, the following actions are necessary to fully comply with this approval:

1. Spudding notification within 24 hours after drilling operations commence.
2. Submittal of an Entity Action Form within five working days following spudding and whenever a change in operations or interests necessitates an entity status change.
3. Submittal of the Report of Water Encountered During Drilling, Form 7.
4. Prompt notification if it is necessary to plug and abandon the well. Notify John R. Baza, Petroleum Engineer, (Office) (801) 538-5340, (Home) 298-7695, or Jim Thompson, Lead Inspector, (Home) 298-9318.
5. Compliance with the requirements of Rule R615-3-20, Gas Flaring or Venting, Oil and Gas Conservation General Rules.

6. Prior to commencement of the proposed drilling operations, plans for facilities for disposal of sanitary wastes at the drill site shall be submitted to the local health department. These drilling operations and any subsequent well operations must be conducted in accordance with applicable state and local health department regulations. A list of local health departments and copies of applicable regulations are available from the Division of Environmental Health, Bureau of General Sanitation, telephone (801) 538-6121.
7. This approval shall expire one (1) year after date of issuance unless substantial and continuous operation is underway or an application for an extension is made prior to the approval expiration date.

The API number assigned to this well is 43-037-31475.

Sincerely,



R. J. Firth
Associate Director, Oil & Gas

lcr
Enclosures
cc: Bureau of Land Management
D. R. Nielson
J. L. Thompson
WE14/1-2

RECEIVED
OCT 26 1989

UNITED STATES DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

Form approved.
Budget Bureau No. 1004-0136
Expires August 31, 1985

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

DIVISION OF OIL, GAS & MINING

1a. TYPE OF WORK
 DRILL DEEPEN OIL, GAS & MINING PLUG BACK

b. TYPE OF WELL
 OIL WELL GAS WELL OTHER SINGLE ZONE MULTIPLE ZONE

2. NAME OF OPERATOR
Yates Petroleum Corporation (505) 748-1471

3. ADDRESS OF OPERATOR
105 South 4th St., Artesia, NM 88210

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.)*
 At surface: **2510' FNL & 1020' FWL (SENW)**
 At proposed prod. zone: **Same API # 43-037-31475**

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*
7 air miles ESE of Blanding, Utah

15. DISTANCE FROM PROPOSED* LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT. (Also to nearest drlg. unit line, if any)
1020'

16. NO. OF ACRES IN LEASE
2,475

17. NO. OF ACRES ASSIGNED TO THIS WELL
40

18. DISTANCE FROM PROPOSED LOCATION* TO NEAREST WELL, DRILLING, COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT.
N/A

19. PROPOSED DEPTH
6,450'

20. ROTARY OR CABLE TOOLS
Rotary

21. ELEVATIONS (Show whether DF, RT, GR, etc.)
5,983' ungraded ground

22. APPROX. DATE WORK WILL START*
Oct. 23, 1989

23. PROPOSED CASING AND CEMENTING PROGRAM

SIZE OF HOLE	SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
17-1/2"	13-3/8"	48# (H-40, ST&C)	80'	≈75 cu ft or to surface
12-1/4"	8-5/8"	24#(J-55, ST&C)	2,300'	≈1,475 cu ft or to surface
7-7/8"	5-1/2"	15.5(J-55, ST&C)	6,450'	≈500 cu ft or to 5,000'

- Federal lease is all Sections 5-8, T. 37 S., R. 24 E., San Juan County, Utah. All of lease is in unit.
- Request exception to Rule 302 because of geology. Exception is to quarter-quarter line, not to another well, lease line (1,020' away), nor unit line (1,028' away).
 - Orthodox well could be drilled at 1980 FN & 660 FW, but would likely be a dry hole.
 - Request permission to drill at 2510' FNL & 1020' FWL 7-37s-24e, San Juan County, Utah.
 - One existing well offsets the proposed exception, it is Samedan's Shane Federal*1 (a unit well) which is 1,454' southeast in NESW 7-37s-24e. Seven potential wells could offset the proposed location and six would be in Samedan's Pinto Unit.
 - & e) Yates is the lessee or operator of all lands and drilling units within a minimum 1,028' radius.

Please Keep Confidential. Tight Hole.

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen or plug back, 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 *Brian Rhea* TITLE Consultant DATE 9-21-89

(This space for Federal or State office use) cc: Beardemph(3), MDO(3), SJRA, UDOGM(2)

PERMIT NO. _____ APPROVAL DATE _____
 /s/ Kenneth V. Rhea ACTING DISTRICT MANAGER

APPROVED BY _____ TITLE _____ DATE OCT 26 1989
 CONDITIONS OF APPROVAL, IF ANY:

CONDITIONS OF APPROVAL ATTACHED

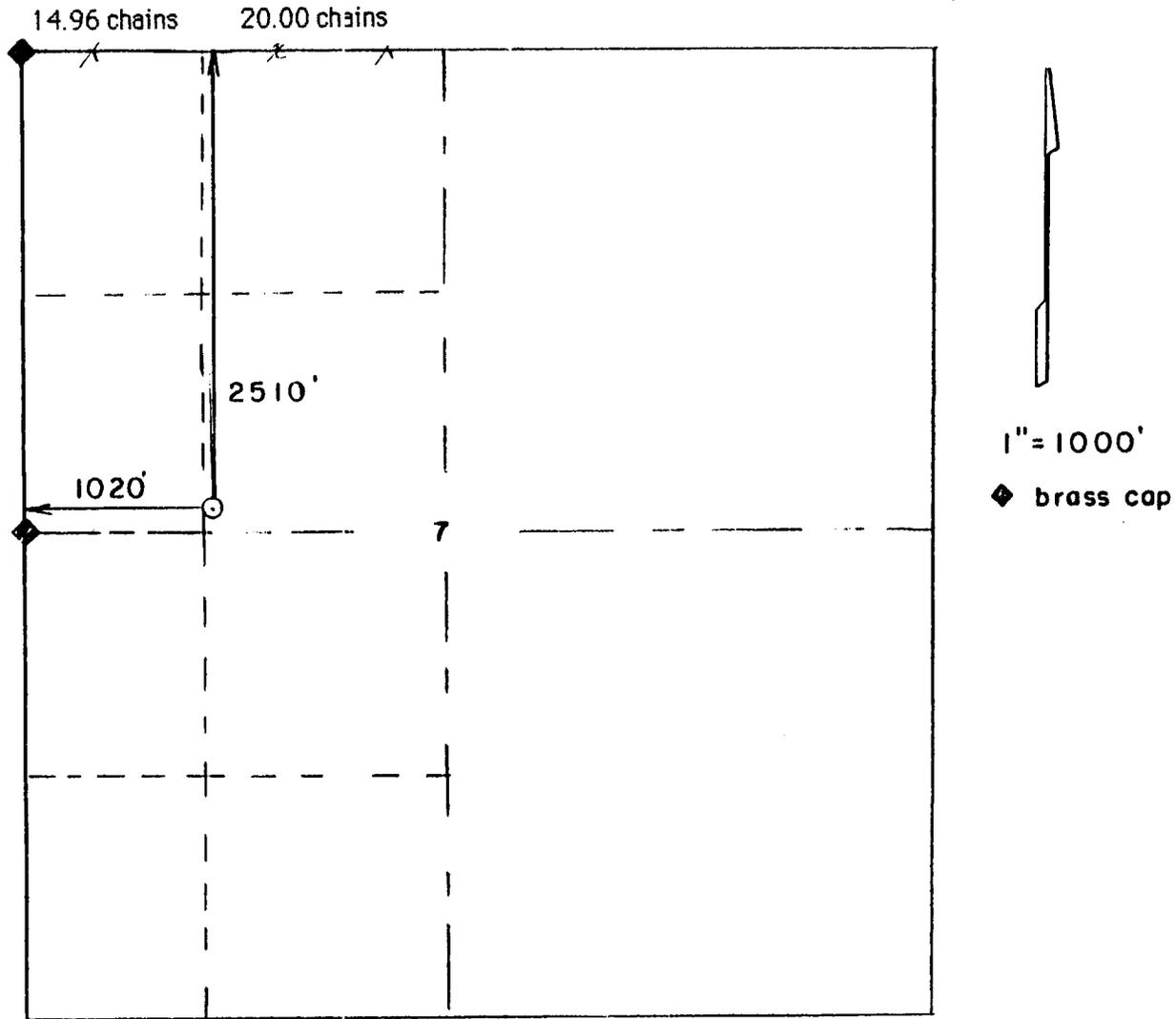
*See Instructions On Reverse Side

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

FLARING OR VENTING OF GAS IS SUBJECT TO NTL 4-A Dated 1/1/80

UDOGM

Well will be drilled by Yates Petroleum Corporation. If productive, well will be operated by Samedan Oil Corporation since it is the Pinto Unit operator. Samedan has filed a Designation of Agent.



WELL LOCATION DESCRIPTION:
 SAMEDAN OIL, Shane Federal # 3
 2510' FNL & 1020' FWL
 Section 7, T.37 S., R.24 E., SLM
 San Juan County, UT
 5983' ground elevation

The above plat is true and correct my knowledge and beliefs

5 September 1989

17850
 Gerald G. Huddleston, LS
 REGISTERED
 STATE OF UTAH

Yates Petroleum Corporation
Well No. Shane Federal #3
Sec. 7, T. 37 S., R. 24 E.
San Juan County , Utah
Lease U-39243

CONDITIONS OF APPROVAL

Approval of this application 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.

Be advised that Yates Petroleum Corporation is considered to be the operator of the above well and is responsible under the terms and conditions of the lease for the operations conducted on the leased lands.

Bond coverage for this well is provided by UT0129 (Principal - Yates Petroleum Corporation) as provided for in 43 CFR 3104.3.

This office will hold the aforementioned operator and bond liable until the provisions of 43 CFR 3106.7-2 continuing responsibility are met.

A. DRILLING PROGRAM

All lease operations will be conducted in full compliance with applicable regulations (43 CFR 3100), Onshore Oil and Gas Order No. 1, Onshore Oil and Gas Order No. 2, and the approved plan of operations. The operator is fully responsible for the actions of his subcontractors. A copy of these conditions and the approved plan will be made available to the field representative to insure compliance.

1. If unconsolidated rock is encountered, conductor shall be set ten (10) feet into underlying bedrock with cement circulated to surface.
2. Surface casing will be set 50 feet into the Chinle Formation regardless of the depth the Chinle is encountered.

D. Anticipated Starting Dates and Notifications of Operations.

Required verbal notifications are summarized in Table 1, attached. Written notification in the form of a Sundry Notice (Form 3160-5) will be submitted to the District Office within twenty-four (24) hours after spudding. If the spudding occurs on a weekend or holiday, the written report will be submitted on the following regular work day.

Immediate Report: Spills, blowouts, fires, leaks, accidents, or any other unusual occurrences shall be promptly reported to the Resource Area in accordance with requirements of NTL-3A.

Should the well be successfully completed for production, the District Manager will be notified when the well is placed in producing status. Such notification will be sent by telegram or other written communication, not later than five (5) business days following the date on which the well is placed on production.

If a replacement rig is needed for completion operations, a Sundry Notice (Form 3160-5) to that effect will be filed for prior approval from the District Office, and all conditions of this approved plan are applicable during all operations conducted with the replacement rig. In emergency situations, verbal approval to bring on a replacement rig will be approved through the District Office.

A first production conference will be scheduled within fifteen (15) days after receipt of the first production report. The Resource Area Office will coordinate the field conference.

A "Subsequent Report of Abandonment" (Form 3160-5) will be filed with the District Manager within thirty (30) days following completion of the well for abandonment. This report will indicate where plugs were placed and the current status of surface restoration. Final abandonment will not be approved until the surface reclamation work required by the approved APD or approved abandonment notice has been completed to the satisfaction of the Area Manager or his representative, or the appropriate surface managing agency.

Approval to vent/flare gas during initial well evaluation will be obtained from the District Office. This preliminary approval will not exceed 30 days or 50 MMCF gas. Approval to vent/flare beyond this initial test period will require District Office approval pursuant to guidelines in NTL-4A.

Upon completion of approved plugging, a regulation marker will be erected in accordance with 43 CFR 3162.6.

The following minimum information will be permanently placed on the marker with a plate, cap, or beaded-on with a welding torch:

"Fed" or "Ind", as applicable; "Well number, location by $\frac{1}{4}$ $\frac{1}{4}$ section, township and range"; "Lease number".

B. Additional Requirements According To Onshore Oil and Gas Order No. 2

- 3000 psi BOP & BOPE:

A second pipe ram preventer or variable bore pipe ram preventer shall be used with a tapered drill string,

Drilling spool, or blowout preventer with 2 side outlets (choke side shall be a 3-inch minimum diameter, kill side shall be at least 2-inch diameter)

- If repair or replacement of the BOPE is required after testing, this work shall be performed prior to drilling out the casing shoe, and
- When the BOPE cannot function to secure the hole, the hole shall be secured using cement, retrievable packer or bridge plug packer, bridge plug or other acceptable approved methods to assure safe well conditions.

- Choke Manifold Equipment:

All choke lines shall be straight lines unless turns use tee blocks or are targeted with running tees, and shall be anchored to prevent whip and reduce vibration.

All valves (except chokes) in the kill line, choke manifold and choke line shall be a type that does not restrict the flow (full opening) and that allows a straight through flow.

Pressure gauges in the well control system shall be a type designed for drilling fluid service.

- 3000 psi system - Accumulator Equipment:

Accumulator shall have sufficient capacity to open the hydraulically controlled choke line valve (if so equipped), close all rams plus the annual preventer, and retain a minimum of 200 psi above precharge on the closing manifold without the use of the closing unit pumps. This is a minimum requirement. The fluid reservoir capacity shall be double the accumulator capacity and fluid level maintained at manufacturer's recommendations. The 3M system shall have 2 independent power sources to close the preventers. Nitrogen bottles (3 minimum) may be 1 of the independent power sources and, if so, shall maintain a charge equal to the manufacturer's specifications.

Accumulator precharge pressure test: This test shall be conducted prior to connecting the closing unit to the BOP stack and at least once every 6 months. The accumulator pressure shall be corrected if the measure precharge pressure is found to be above or below the maximum limit specified within Onshore Order Number 2.

Power for the closing unit pumps shall be available to the unit at all times so that the pumps shall automatically start when the closing unit manifold pressure has decreased to a pre-set level.

Each BOP closing unit shall be equipped with sufficient number and sizes of pumps so that, with the accumulator system isolated from service, the pumps shall be capable of opening the hydraulically-operated gate valve (if so equipped), plus closing the annular preventer on the smallest size drill pipe to be used within 2 minutes, and obtain a minimum of 200 psi. above specified accumulator precharge pressure.

A manual locking device (i.e., hand wheels) or automatic locking devices shall be installed on all systems of 2M or greater. A valve shall be installed in the closing line as close as possible to the annular preventer to act as a locking device. This valve shall be maintained in the open position and shall be closed only when the power source for the accumulator system is inoperative.

Remote controls shall be readily accessible to the driller. Remote controls for all 3M or greater systems shall be capable of closing all preventers.

- BOP Testing:

Ram type preventers and associated equipment shall be tested to approved stack working pressure if isolated by test plug or to 70 percent of internal yield pressure of casing if BOP stack is not isolated from casing. Pressure tests on ram type preventers shall be maintained for at least 10 minutes or until requirements of test are met, whichever is longer. If a test plug is utilized, no bleed off of pressure is acceptable. For a test not utilizing a test plug, if a decline in pressure of more than 10 percent in 30 minutes occurs, the test shall be considered to have failed. Valve on casing head below test of BOP stack.

Annular BOP pressure tests shall be tested to 50 percent of rated working pressure. Pressure shall be maintained at least 10 minutes or until provisions of test are met, whichever is longer.

As a minimum, the above tests shall be performed:

- **When initially installed;
- **Whenever any seal subject to test pressure is broken;
- **Following related repairs; and
- **At 30 day intervals.

Valves shall be tested from working pressure side during BOPE tests with all down stream valves open.

When testing the kill line valve(s), the check valve shall be held open or the ball removed.

Annular preventers shall be functionally operated at least weekly. Pipe and blind rams shall be activated each trip, however, this function need not be performed more than once a day.

A BOPE pit level drill shall be conducted weekly for each drilling crew.

Pressure tests shall apply to all related well control equipment.

All of the above described tests and/or drills shall be recorded in the drilling log.

- Casing and Cementing:

All waiting on cement times shall be adequate to achieve a minimum of 500 psi compressive strength at the casing shoe prior to drilling out.

All casing, except the conductor casing, shall be new or reconditioned and tested used casing that meets or exceeds API standards for new casing.

All of the above described tests shall be recorded in the drilling log.

All indications of usable water shall be reported to the authorized officer prior to running the next string of casing or before plugging orders are requested, whichever occurs first.

Surface casing shall have centralizers on at least the bottom three joints depending on severity of hole inclination.

Top plugs shall be used to reduce contamination of cement by displacement fluid. A bottom plug or other acceptable technique, such as a suitable preflush fluid, inner string cement method, etc. shall be utilized to help isolate the cement from contamination by the mud fluid being displaced ahead of the cement slurry.

All casing strings below the conductor shall be pressure tested to 0.22 psi/ft. of casing string length or 1500 psi, whichever is greater, but not to exceed 70 percent of the minimum internal yield. If pressure declines more than 10 percent in 30 minutes, corrective action shall be taken.

- Mud Program Requirements:

The characteristics, use and testing of drilling mud and the implementation of related drilling procedures shall be designed to prevent the loss of well control. Sufficient quantities of mud materials shall be maintained or readily accessible for the purpose of assuring well control.

-Record slow pump speed on daily drilling report after mudding up.

-Visual mud monitoring equipment shall be in place to detect volume changes indicating loss or gain of circulating fluid volume.

-A mud test shall be performed every 24 hours after mudding up to determine, as applicable: density, viscosity, gel strength, filtration, and pH.

-All flare systems shall be designed to gather and burn all gas. The flare line(s) discharge shall be located not less than 100 feet from the well head, having straight lines unless turns are targeted with running tees, and shall be positioned downwind of the prevailing wind direction and shall be anchored. The flare system shall have an effective method for ignition. Where non-combustible gas is likely or expected to be vented, the system shall be provided supplemental fuel for ignition and to maintain a continuous flare.

- Drill Stem Testing Requirements:

Initial opening of drill stem test tools shall be restricted to daylight hours unless specific approval to start during other hours is obtained from the authorized officer. However, DSTs may be allowed to continue at night if the test was initiated during daylight hours and the rate of flow is stabilized and if adequate lighting is available (i.e., lighting which is adequate for visibility and vapor-proof for safe operations). Packers can be released, but tripping shall not begin before daylight, unless prior approval is obtained from the authorized officer. Closed chamber DSTs may be accomplished day or night.

-A DST that flows to the surface with evidence of hydrocarbons shall be either reversed out of the testing string under controlled surface conditions, or displaced into the formation prior to pulling the test tool. This would involve providing some means for reverse circulation.

-Separation equipment required for the anticipated recovery shall be properly installed before a test starts.

-All engines within 100 feet of the wellbore that are required to "run" during the test shall have spark arresters or water cooled exhausts.

- Special Drilling Operations:

In addition to the equipment already specified elsewhere in Onshore Order No. 2, the following equipment shall be in place and operational during air/gas drilling:

-Properly lubricated and maintained rotating head;

- Spark arresters on engines or water cooled exhaust;
- Blooie line discharge 100 feet from well bore and securely anchored;
- Straight run on blooie line unless otherwise approved;
- Deduster equipment;
- All cuttings and circulating medium shall be directed into a reserve or blooie pit;
- Float valve above bit;
- Automatic igniter or continuous pilot light on the blooie line;
- Compressors located in the opposite direction from the blooie line a minimum of 100 feet from the well bore;
- Mud circulating equipment, water, and mud materials (does not have to be premixed) sufficient to maintain the capacity of the hole and circulating tanks or pits.

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

SUBMIT IN TRIPPLICATE
(Other instructions
verse side)

Form approved
Budget Bureau No. 1004-0135
Expires August 31, 1985

SUNDRY NOTICES AND REPORTS ON WELLS

(Do not use this form for proposals to drill or to deepen or plug wells in a different reservoir.
Use "APPLICATION FOR PERMIT—" for such proposals.)

1. OIL WELL <input checked="" type="checkbox"/> GAS WELL <input type="checkbox"/> OTHER <input type="checkbox"/>		7. UNIT AGREEMENT NAME N/A	
2. NAME OF OPERATOR Yates Petroleum Corporation		8. FARM OR LEASE NAME Shane	
3. ADDRESS OF OPERATOR 105 S. 4th St., Artesia, NM 88210		9. WELL NO. #3	
4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.* See also space 17 below.) At surface		10. FIELD AND POOL, OR WILDCAT Wildcat	
14. PERMIT NO. 43-037-21475		11. SEC., T., R., M., OR BLK. AND SUBST. OR AREA 7-37s-24e SLBM	
15. ELEVATIONS (Show whether DP, RT, GR, etc.) 5,983' ungraded ground		12. COUNTY OR PARISH Salt Juan	
13. STATE Ut.			

16. Check Appropriate Box To Indicate Nature of Notice, Report, or Other Data

NOTICE OF INTENTION TO:		SUBSEQUENT REPORT OF:	
TEST WATER SHUT-OFF <input type="checkbox"/>	PULL OR ALTER CASING <input type="checkbox"/>	WATER SHUT-OFF <input type="checkbox"/>	REPAIRING WELL <input type="checkbox"/>
FRACTURE TREAT <input type="checkbox"/>	MULTIPLE COMPLETE <input type="checkbox"/>	FRACTURE TREATMENT <input type="checkbox"/>	ALTERING CASING <input type="checkbox"/>
SHOOT OR ACIDIZE <input type="checkbox"/>	ABANDON* <input type="checkbox"/>	SHOOTING OR ACIDIZING <input type="checkbox"/>	ABANDONMENT* <input type="checkbox"/>
REPAIR WELL <input type="checkbox"/>	CHANGE PLANS <input type="checkbox"/>	(Other) <input type="checkbox"/>	(Other) <input type="checkbox"/>

(NOTE: Report results of multiple completion on Well Completion or Recompletion Report and Log form.)

17. DESCRIBE PROPOSED OR COMPLETED OPERATIONS (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work. If well is directionally drilled, give subsurface locations and measured and true vertical depths for all markers and zones pertinent to this work.)*

Please extend APD approval for 6 months past original expiration date.

OIL AND GAS	
DPN	RJF
2 JRS	GLH
DTS	SLS
1-FA5	
MICROFILM	
2	FILE

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

SIGNED *Bruce* TITLE Consultant DATE 8-22-90

(This space for Federal or State office use)

APPROVED BY _____ TITLE _____ DATE _____

CONDITIONS OF APPROVAL, IF ANY:

Extend to 4-2-91.

APPROVED BY THE STATE
OF UTAH DIVISION OF
OIL, GAS, AND MINING

*See Instructions on Reverse Side

DATE: 9-4-90

RECEIVED

JUN 13 1991

DIVISION OF
OIL GAS & MINING

3162 (U-065)
(U-39243)

Moab District
P. O. Box 970
Moab, Utah 84532

JUN 14 1991

Yates Petroleum Corporation
105 South 4th Street
Artesia, New Mexico 88210

Re: Application for Permit to Drill
Well No. Shane Federal #3
SENW Sec. 7, T. 37 S., R. 24 E.
San Juan County, Utah
Lease U-39243

43-037-31475

Gentlemen:

The Application for Permit to Drill the referenced well was approved on October 20, 1989. Since that date, no known activity has transpired at the approved location.

Applications for permit to drill are effective for a period of one year. In view of the foregoing, this office is rescinding the approval of the referenced application.

Should you intend to drill at this location at a future date, a new application for permit to drill must be submitted.

If you have any questions, please contact the Branch of Fluid Minerals at (801) 259-6111.

Sincerely yours,

/S/ WILLIAM C. STRINGER

Assistant District Manager
Mineral Resources

Enclosure:
Application for Permit to Drill

cc: SJRA (w/o encl.)
State of Utah, Division of Oil, Gas and Mining (w/o encl.) ✓

VButts:vb:6/10/91



State of Utah

DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

Norman H. Bangarter
Governor
Dee C. Hansen
Executive Director
Dianne R. Nielson, Ph.D.
Division Director

355 West North Temple
3 Triad Center, Suite 350
Salt Lake City, Utah 84180-1203
801-538-5340

June 18, 1991

Yates Petroleum Corporation
105 South 4th Street
Artesia, New Mexico 88210

Gentlemen:

Re: Well No. Shane Federal #3, Sec. 7, T. 37S, R. 24E, San Juan County, Utah
API No. 43-037-31475

In concert with action taken by the U.S. Bureau of Land Management, approval to drill the above referenced well is hereby rescinded. A new Application for Permit to Drill must be filed with this office for approval prior to the commencement of any future work on the subject location.

If any previously unreported operations have been performed on this well location, it is imperative that you notify the Division of Oil, Gas and Mining immediately.

Sincerely,

Don Staley
Administrative Supervisor
Oil and Gas

DME/lde
cc: R.J. Firth
Bureau of Land Management - Moab
Well file
WOI196