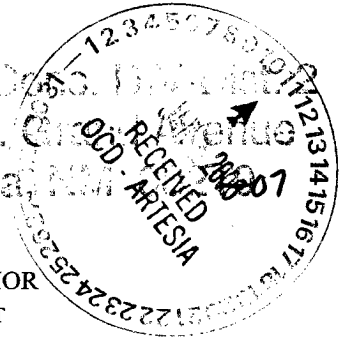


N.M. Oil and Gas
1301 W. Central
Artesia, New Mexico



UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

OMB No. 1004-0136
Expires November 30, 2000

5. Lease Serial No.
NM-31099

6. If Indian, Allottee or Tribe Name
Not Applicable

7. If Unit or CA Agreement, Name and No.
Not Applicable

8. Lease Name and Well No. **29590**
Horn YG Federal Com #8

1a. Type of Work: ☒ DRILL ☐ REENTER

b. Type of Well: ☐ Oil Well ☒ Gas Well ☐ Other ☐ Single Zone ☐ Multiple Zone

2. Name of Operator
Yates Petroleum Corporation 25575

3A. Address **105 South Fourth Street**
Artesia, New Mexico 88210

3b. Phone No. (include area code)
(505) 748-1471

9. API Well No.
30-005-63892

10. Field and Pool, or Exploratory
Undes.Foor Ranch;Pre Permian, North(97094)

4. Location of Well (Report location clearly and in accordance with any State requirements. *)

At surface **990' FNL and 990' FEL, Unit A**

At proposed prod. Zone **Same as above ROSWELL CONTROLLED WATER BASIN**

11. Sec., T., R., M., or Blk. and Survey or Area
Section 9, T8S-R26E, Mer NMP

14. Distance in miles and direction from nearest town or post office*
Approximately twenty (20) miles northeast of Roswell, New Mexico

12. County or Parish
Chaves County

13. State
NM

| | | | | | |
|---|-----------------|---------------------------------------|--------------|---|----------------------|
| 15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) | 990' | 16. No. of Acres in lease | 2120 | 17. Spacing Unit dedicated to this well | 320 acres-N/2 |
| 18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. | 3000' | 19. Proposed Depth | 5875' | 20. BLM/BIA Bond No. on file | NMB000434 |
| 21. Elevations (Show whether DF, KDB, RT, GL, etc.) | 3809' 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 an existing bond on file (see Item 20 above). |
| 2. A Drilling Plan. | 5. Operator certification. |
| 3. A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office. | 6. Such other site specific information and/or plans as may be required by the authorized office. |

| | | |
|---|--|----------------------------|
| 25. Signature | Name (Printed/Typed) Debbie L. Caffall | Date 12/8/2006 |
| Regulatory Agent | | |
| Regulatory Agent | | |
| Approved by (Signature) | Name (Printed/Typed) /S/LARRY D. BRAY | Date JAN 09 2007 |
| Title Assistant Field Manager, Lands And Minerals | Office ROSWELL FIELD OFFICE | APPROVED FOR 1 YEAR |

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

Conditions of approval, if any, are attached.

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

*(Instructions on reverse) Previously Approved C-144 attached

If earthen pits are used in association with the drilling of this well, an OCD pit permit must be obtained prior to pit construction.

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS AND
SPECIAL STIPULATIONS ATTACHED

District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources Department
OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-102
Revised October 12, 2005
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

| | | |
|----------------------------------|---|---|
| ¹ API Number | ² Pool Code 97094 | ³ Pool Name Econ Ranch; Pre-Permian |
| ⁴ Property Code | ⁵ Property Name Horn "YG" Federal Com | ⁶ Well Number 8 |
| ⁷ OGRID No. 025575 | ⁸ Operator Name Yates Petroleum Corporation | ⁹ Elevation 3809 |

¹⁰ Surface Location

| UL or lot no. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| A | 9 | 8 S | 26 E | | 990 | North | 990 | East | Chaves |

¹¹ 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 |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| | | | | | | | | | |

| | | | |
|--------------------------------------|-------------------------------|----------------------------------|-------------------------|
| ¹² Dedicated Acres 320 | ¹³ Joint or Infill | ¹⁴ Consolidation Code | ¹⁵ 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.

| | | | | | |
|---------------------------|--|----------|------|------|---|
| ¹⁶ NM-31099 | | NM-18607 | 990' | 990' | ¹⁷ OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division. Signature: <u>Debbie L. Caffall</u> Date: <u>1/15/2007</u> Debbie L. Caffall, Regulatory Agent Printed Name |
| | | | | | ¹⁸ 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. Date of Survey Signature and Seal of Professional Surveyor: REFER TO ORIGINAL PLAT Certificate Number |
| | | | | | |

DISTRICT I
1000 N. French St., Hobbs, NM 88240

DISTRICT II
201 South First, Artesia, NM 88210

DISTRICT III
1000 N. French St., Hobbs, NM 88240

DISTRICT IV
2000 South Posthole, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Dept.

Form C-108
Revised March 17, 1999
Instructions on back
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 2 Copies

OIL CONSERVATION DIVISION

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

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

| | | |
|---------------------------|---|---|
| API Number | Well Code 97094 | Well Name Foor Ranch; Pre-Permian |
| Property Code | Property Name HORN "YG" FEDERAL COM. | Well Number 8 |
| OCRD No. 025575 | Operator Name YATES PETROLEUM CORPORATION | Elevation 3809 |

Surface Location

| | | | | | | | | | |
|---------------------------|---------------------|-----------------------|---------------------|---------|---------------|------------------|---------------|----------------|-------------------------|
| UL or Lot No. A | Section 9 | Township 8S | Range 26E | Lot No. | Feet from the | North/South Line | Feet from the | East/West Line | County CHIMES |
|---------------------------|---------------------|-----------------------|---------------------|---------|---------------|------------------|---------------|----------------|-------------------------|

Bottom Hole Location if Different From Surface

| | | | | | | | | | |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| UL or Lot No. | Section | Township | Range | Lot No. | Feet from the | North/South Line | Feet from the | East/West Line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|

| | | | |
|-------------------------------|--------------|--------------------|-----------|
| Dedicated Acres 320 | Joint or R/L | 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

| | | | |
|----------|----------|--|--|
| NM-31099 | NM-18607 | | OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief. <i>Patricia Perez</i> Signature Patricia Perez Printed Name Regulatory Agent Title 3/6/2003 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. 2/28/2003 Date Heronuel Sanchez Surveyor New Mexico No. 3840 JAMES H. HALLING State Surveyor |

0 200' 000' 000' 1000' 1000' 2000' 2000' 1000' 000' 000' 200' 0'

YATES PETROLEUM CORPORATION

Horn "YG" Federal Com. #8

990' FNL and 990' FEL

Section 9-T8S-R26E

Chaves County, New Mexico

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

| | | | |
|------------|-------|-----------------------|-------|
| San Andres | 845' | Cisco | 5415' |
| Glorieta | 1915' | Dorothy Zone | 5505' |
| Yeso | 2035' | Strawn | 5545' |
| Tubb | 3475' | Siluro-Devonian | 5635' |
| Abo | 4185' | Pre-Cambrian Basement | 5725' |
| Wolfcamp | 4850' | TD | 5875' |
| Spear Zone | 5185' | | |

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

Water: 250'-350'
Oil or Gas: All potential formations.

3. Pressure Control Equipment: BOPE will be installed on the 8 5/8" casing and rated for 2000# 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> |
|------------------|--------------------|---------------|--------------|-----------------|-----------------|---------------|
| 12 1/4" | 8 5/8" | 24# | J-55 | ST&C | 0-1000' | 1000' |
| 7 7/8" | 5 1/2" | 15.5# | J-55 | ST&C | 0-5875' | 5875' |

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

A. CEMENTING PROGRAM:

Surface Casing: Cement with 300 sx Lite "C" (YLD 2.0 WT 12.5). Tail in with 200 sx "C" + 2% CaCl₂ (YLD 1.32 WT 15.6).

Production Casing: 400 sx Pecos Valley Lite (YLD 1.34 WT 13.0). TOC 3600'.

5. MUD PROGRAM AND AUXILIARY EQUIPMENT:

| <u>Interval</u> | <u>Type</u> | <u>Weight</u> | <u>Viscosity</u> | <u>Fluid Loss</u> |
|-----------------|------------------|---------------|------------------|-------------------|
| 0-1000' | FW GEL/Paper/LCM | 8.6-9.6 | 32-36 | N/C |
| 1000'-4085' | Brine | 10.0-10.2 | 28 | N/C |
| 4085'-5875' | Starch/Salt Gel | 9.3-10.2 | 34-45 | <6CC |

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: 10' samples out from under surface casing.

Logging: Platform Express, CNL/LDT W/NGT to TD to surf csg, with GR/CNL up to surf: DLL/MSFL TD to surf csg, BHC Sonic TD to surf csg: FMI-TD to top of Wolfcamp.

Coring: Sidewall

DST's: None

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

Anticipated BHP:

| | | |
|-------------|-----------|--------------------------------|
| From: 0 | TO: 1000' | Anticipated Max. BHP: 500 PSI |
| From: 1000' | TO: 5875' | Anticipated Max. BHP: 2700 PSI |

Abnormal Pressures Anticipated: None

Lost Circulation Zones Anticipated: None.

H₂S Zones Anticipated: None Anticipated

Maximum Bottom Hole Temperature: 145 F

8. ANTICIPATED STARTING DATE:

Plans are to drill this well as soon as possible after receiving approval. It should take approximately 25 days to drill the well with completion taking another 20 days.