1-06-19 If earthen pits are used in association with the drilling of this well, an OCD pit permit must be obtained prior to pit construction. Form 3160-3 (August 1999) OMB No. 1004-0136 UNITED STATES Expires November 30, 2000 DEPARTMENT OF THE INTERIOR 5. Lease Serial No. BUREAU OF LAND MANAGEMENT NM-80645 6. If Indian, Allottee or Tribe Name APPLICATION FOR PERMIT TO DRILL OR REENTER +28 7. If Unit or CA Agreement, Name and No. 1a. Type of Work: REENTER DRILL 8. Lease Name and Well No. 15 200 b. Type of Well: X Oil Well Other Single ___ Gas Multiple Zone Lily ALY Federal #12 9. API Well No. 2. Name of Operator 3b. Phone No. (include area code) 30 - 015 - 35374 10. Field and Pool, or Exploratory Yates Petroleum Corporation 3A. Address 105 South Fourth Street Delaware Artesia, New Mexico 88210 (505) 748-1471 11. Sec., T., R., M., or Blk, and Survey or Area 4. Location of Well (Report location clearly and in accordance with any State requirements.*) 1650' FSL and 450' FEL Section 3, T24S-R31E Same At proposed prod. Zone 14. Distance in miles and direction from nearest town or post office* 12. County or Parish 13. State Approximately 24 miles east of Loving, New Mexico. **Eddy County** NM Distance from proposed* 17. Spacing Unit dedicated to this well 16. No. of Acres in lease location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 450' 320.11 NE/SE Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 19. Proposed Depth 20. BLM/BIA Bond No. on file 850' 8500' 585997 21. Elevations (Show whether DF, KDB, RT, GL, etc.) 22. Approximate date work will start* 23. Estimated duration 3468' GL **ASAP** 45 days Carlobad Controlled Water 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. Bond to cover the operations unless covered by an existing bond on file (see 2. A Drilling Plan. Item 20 above). 3. A Surface Use Plan (if the location is on National Forest System Lands, the Operator certification. SUPO shall be filed with the appropriate Forest Service Office. Such other site specific information and/or plans as may be required by the authorized office. 25. Signature Name (Printed/Typed) Date 9/11/2006 Cy Cowan Regulatory Agent **Regulatory Agent** Name (Printed/Typed)
/s/ Linda S.C. Rundell Date JAN 03 2007 Approved by (Signature) Is/ Linda S.C. Rundell Title STATE DIRECTOR Office NM STATE 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 conduct operations thereon. APPROVAL FOR 1 YEAR 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) C-144 attached APPROVAL SUBJECT TO

SEE ATTACHED FUR

CONDITIONS OF APPROVAL

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

1220 S. St. Francis Dr., Santa Fe, NM 87505

District IV

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

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7 OGRID	No.				⁸ Operator N	ame			⁹ Elevation	
02557	5			YATES	PETROLEUM	CORPORATION			3468	
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1301112131415, Regulatory Ager ¹⁸SURVEYOR CERTIFICATION NM-80645 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 450' 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 1025 M. French Dr., Hobbs, RM 88240

State of New Mexico Energy, Minerals and Natural Resources Department

Form C-102 Revised March 17, 1999

Instruction on back

Submit to Appropriate District Office State Lease - 4 Copies Fee Lease - 3 Copies

DISTRICT II 811 South First, Artesia, NM 86210 DISTRICT III 1000 Rio Brazos Rd., Axtec, NM 87410

DISTRICT IV 2040 South Pacheco, Santa Fe, NM 87505

OIL CONSERVATION DIVISION

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

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT Post Name STITUS La La La La La La La L									LI AMENDEL	REFURI
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YATES PETROLEUM CORPORATION Lily ALY Federal #12

1650' FSL & 450' FEL Section 3-T24S-R29E Eddy County, New Mexico

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

Rustler	650'	Brushy Canyon Marker	7050'
Top of Salt	990'	Brushy Canyon	8100'
Base of Salt	4140'	Bone Spring	8240'
Bell Canyon	4410'	TD	8500'
Cherry Canyon	5320'		

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

Water:

ï,

Approx 192'

Oil or Gas:

All potential zones.

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

Auxiliary Equipment:

- A. Auxiliary Equipment: Kelly cock, pit level indicators, flow sensor equipment and a sub with full opening valve to fit the drill pipe and collars will be available on the rig floor in the open position at all times for use when kelly is not in use.
- 4. THE PROPOSED CASING AND CEMENTING PROGRAM:
 - A. Casing Program: (All New)

<u>Hole Size</u>	Casing Size	Wt./Ft	<u>Grade</u>	Coupling	<u>Interval</u>	<u>Length</u>
17 1/2"	13 3/8"	48#	H-40	ST&C	0-650'	650'
11"	8 5/8"	32#	J-55	ST&C	0-100'	100'
11"	8 5/8"	24#	J-55	ST&C	100'-2100'	2000'
11"	8 5/8"	32#	ป-55	ST&C	2100'-4300'	2200'
7 7/8"	5 1/2"	17#	J-55	LT&C	0-100'	100'
7 7/8"	5 1/2"	15.5#	J-55	LT&C	100'-7300'	7200'
7 7/8"	5 1/2"	17#	J-55	LT&C	7300'-8500'	1200'

Yates Petroleum Corporation requests a variance to install a rotating head on the surface casing strings when intermediate casing will be set. If a BOP system is required then we wish to install a 2M system and receive a variance to test the system to 1000# using the rig pumps. The test will be held for 30 minutes on each system component. Components to be tested include pipe rams, blind rams, and annular preventer.

Minimum Casing Design Factors: Collapse 1.125, Burst 1.0, Joint Strength 1.8

Lily ALY Federal #12 Page 2

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B. CEMENTING PROGRAM:

Surface casing: 325 sx Hal LtPr+"C" (YLD 1.97 WT 12.5), Tail in w/ 200 sx Premium Pl

(YLD 1.35 WT 14.8).

Intermediate Casing: 1000 sx Hal LtPr+"C" (YLD 1.97 WT 12.5); Tail in w/ 200 sx

Premium PI (YLD 1.35 WT. 14.8).

Production Casing: 400 sx Super "H" (YLD 1.66 WT 13.0). Tail in w/ 775 sx

Lite Crete (YLD 2.78 WT 9.90), and 100 sx Pecos Vilt

(YLD 1.41 WT 13.0).

5. Mud Program and Auxiliary Equipment:

<u>Interval</u>	_Type_	<u>Weight</u>	Viscosity	Fluid Loss
0-650'	Fresh Water	8.4-8.6	32-34	N/C
650'-4300'	Brine	10.0-10.2	28	N/C
4300'-8400'	Fresh Water	8.7-9.0	28	N/C
8400'-8500'	Cut Brine	9.0-9.2	28	<15-20cc

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 30' to 4500', 10' samples 4500'-TD.

Logging: Platform HALS; CMR. Coring: None Anticipated. DST's: As warranted.

7. Abnormal Conditions, Bottom hole pressure and potential hazards:

Anticipated BHP:

From: O TO: 650' Anticipated Max. BHP: 290 **PSI** From: 650' TO: 4300' Anticipated Max. BHP: 2280 **PSI** 4300' TO: From: 8500' Anticipated Max. BHP: 4065 PSI

No abnormal pressures or temperatures are anticipated.

Lost Circulation Zones Anticipated: None.

H2S Zones Anticipated: None

Maximum Bottom Hole Temperature: 168 F

8. ANTICIPATED STARTING DATE:

Plans are to drill this well as soon as possible after receiving approval. It should take approximately 30 days to drill the well with completion taking another 15 days.