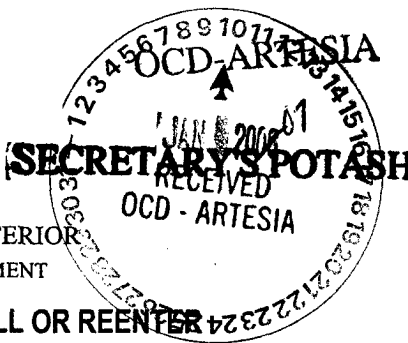


If earthen pits are used in association with the drilling of this well, an OCD pit permit must be obtained prior to pit construction.

Form 3160-3
(August 1999)

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

1a. Type of Work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. NM-80645
b. Type of Well: <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other <input type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		6. If Indian, Allottee or Tribe Name
2. Name of Operator Yates Petroleum Corporation		7. If Unit or CA Agreement, Name and No.
3A. Address 105 South Fourth Street Artesia, New Mexico 88210		8. Lease Name and Well No. Lily ALY Federal #12
3b. Phone No. (include area code) (505) 748-1471		9. API Well No. 30-015-35374
4. Location of Well (Report location clearly and in accordance with any State requirements. *) At surface 1650' FSL and 450' FEL At proposed prod. Zone Same		10. Field and Pool, or Exploratory Wells ; Delaware
14. Distance in miles and direction from nearest town or post office* Approximately 24 miles east of Loving, New Mexico.		11. Sec., T., R., M., or Blk, and Survey or Area Section 3, T24S-R31E
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 450'	16. No. of Acres in lease 320.11	17. Spacing Unit dedicated to this well NE/SE
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 850'	19. Proposed Depth 8500'	20. BLM/BIA Bond No. on file 585997
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3468' GL	22. Approximate date work will start* ASAP	23. Estimated duration 45 days
24. Attachments Carlsbad Controlled Water Basin		

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) Cy Cowan	Date 9/11/2006
Regulatory Agent		
Regulatory Agent		
Approved by (Signature) /s/ Linda S.C. Rundell	Name (Printed/Typed) /s/ Linda S.C. Rundell	Date JAN 03 2007
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.

Conditions of approval, if any, are attached.

APPROVAL FOR 1 YEAR

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

SEE ATTACHED FOR
CONDITIONS OF APPROVAL

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 33745	³ Pool Name Ingle Wells, T DELAWARE
⁴ Property Code	⁵ Property Name LILY "ALY" FEDERAL	⁶ Well Number 12
⁷ OGRID No. 025575	⁸ Operator Name YATES PETROLEUM CORPORATION	⁹ Elevation 3468

¹⁰ Surface Location

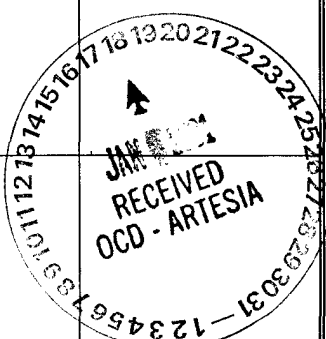
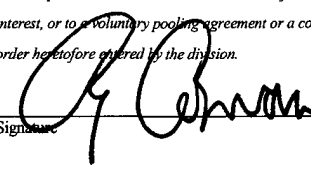
UL or lot no. I	Section 3	Township 24S	Range 31E	Lot Idn	Feet from the 1650	North/South line SOUTH	Feet from the 450	East/West line East	County EDDY
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¹¹ Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
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¹² Dedicated Acres 40	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.
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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					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:  Date: January 17, 2007 Cy Cowan Printed Name Regulatory Agent Title
					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
1025 N. French Dr., Hobbs, NM 88240

DISTRICT II
811 South First, Artesia, NM 88210

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

DISTRICT IV
2040 South Pacheco, Santa Fe, NM 87505

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

OIL CONSERVATION DIVISION

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

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code 33745	Pool Name Lyle Wells; Delaware
Property Code	Property Name LILY "ALY" FEDERAL	Well Number 12
OGED No. 025575	Operator Name YATES PETROLEUM CORPORATION	Elevation 3468

Surface Location

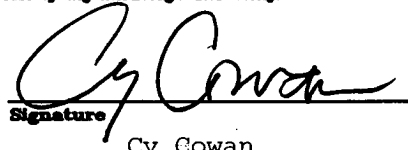
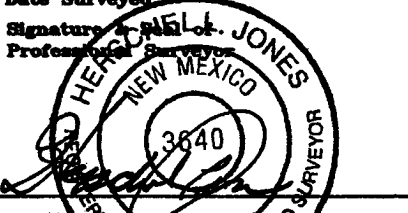
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
1	3	24S	31E		1650	SOUTH	450	EAST	EDDY

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	Joint or Infill	Consolidation Code	Order No.
40			

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 hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.  Signature Cy Cowan Printed Name Regulatory Agent Title August 24, 2006 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. 8/01/2006 Date Surveyed  Signature Professional Surveyor HERSCHEL L. JONES NEW MEXICO 3640 Certificate No. 3640 LILY "ALY" FEDERAL GENERAL SURVEYING COMPANY

0 330' 660' 990' 1650' 1980' 2310' 2310' 1980' 1650' 990' 660' 330' 0'

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: 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>	<u>Casing Size</u>	<u>Wt./Ft</u>	<u>Grade</u>	<u>Coupling</u>	<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#	J-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

B. CEMENTING PROGRAM:

Surface casing: 325 sx Hal LtPr+"C" (YLD 1.97 WT 12.5), Tail in w/ 200 sx Premium PI (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>	<u>Type</u>	<u>Weight</u>	<u>Viscosity</u>	<u>Fluid Loss</u>
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: 0	TO: 650'	Anticipated Max.	BHP: 290	PSI
From: 650'	TO: 4300'	Anticipated Max.	BHP: 2280	PSI
From: 4300'	TO: 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.