



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

2

SEP 27 2007
OCD-ARTESIA
FORM APPROVED
OMB NO. 1004-0137
Expires. March 31, 2007

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of Work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. NM-13979
1b. Type of Well: <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other <input checked="" type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		6. If Indian, Allottee or Tribe Name Not Applicable
2. Name of Operator Yates Petroleum Corporation		7. If Unit or CA Agreement, Name and No. Not Applicable
3a. Address 105 South Fourth Street, Artesia New Mexico 88210		8. Lease Name and Well No. Dekalb PG Federal Com. #2
3b. Phone No (include area code) (505) 748-1471		9. API Well No. 30-005-63991
4. Location of well (Report location clearly and in accordance with any State requirements. *) At surface: ROSWELL CONTROLLED WATER BASIN 1980' N and 660' W, SWNW At proposed prod. zone: same as above		10. Field and Pool, or Exploratory Wildcat Granite (96542)
11. Sec., T., R., M., or Blk. And Survey or Area Section 25, T10S-R25E		12. County or Parish Chaves County
14. Distance in miles and direction from the nearest town or post office* Approximately Ten (10) miles east of Roswell, NM		13. State NM
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drlg. unit line, if any) 660'	16. No. of acres in lease 800.00	17. Spacing Unit dedicated to this well 320 acres N2
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 5940'	19. Proposed Depth 5,625'	20. BLM/ BIA Bond No. on file NM8000434
21. Elevations (Show whether DF, RT, GR, etc.) 3749' 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 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 officer. |

25. Signature 	Name (Printed/ Typed) Debbie L. Caffall	Date 8/23/2007
Title Regulatory Agent		
Approved By (Signature) /s/ Angel Mayes	Name (Printed/ Typed) /s/ Angel Mayes	Date SEP 24 2007
Title Assistant Field Manager, Lands And Minerals		
Office ROSWELL FIELD OFFICE		
APPROVED FOR 2 YEARS		

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 cc 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 page 2)

Previously approved. C-144 and C-102 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 96542	³ Pool Name Wildcat Granite
⁴ Property Code 35145	⁵ Property Name Dekalb PG Federal Com.	⁶ Well Number 2
⁷ OGRID No. 025575	⁸ Operator Name Yates Petroleum Corporation	⁹ Elevation 3749

¹⁰ Surface Location

UL or lot no. E	Section 25	Township 10S	Range 25 E	Lot Idn	Feet from the 1980	North/South line North	Feet from the 660	East/West line West	County Chaves
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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
¹² Dedicated Acres 320 N 1/2	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-13979	NM-15290	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 8/23/07 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
1825 N. French Dr., Hobbs, NM 88240
DISTRICT II
811 South First, Artesia, NM 88210
DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410
DISTRICT IV
2040 South Pacheco, Santa Fe, NM 87506

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised March 17, 1988
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	Pool Name Wildcat Precambrian
Property Code	Property Name DEKALB "PG" FEDERAL COM.	Well Number 2
OGRID No. 025575	Operator Name YATES PETROLEUM CORPORATION	Elevation 3749

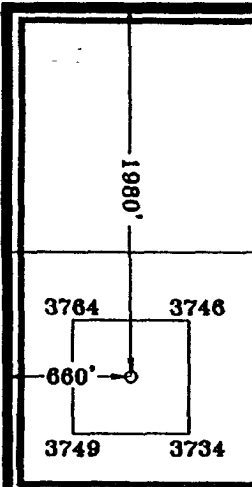
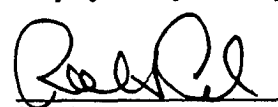
Surface Location

UL or lot No. E	Section 25	Township 10S	Range 25E	Lot Idn	Feet from the 1980	North/South line NORTH	Feet from the 660	East/West line WEST	County CHAVES
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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 320	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

	NM-13979 N.33°25'05.8" W.104°21'42.3" N.879663.1 E.491489.9 (NAD-27)	NM-15290
<p>OPERATOR CERTIFICATION</p> <p>I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief.</p> <p> Signature Robert Asher Printed Name Regulatory Agent Title 9/14/2005 Date</p> <p>SURVEYOR CERTIFICATION</p> <p>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.</p> <p>6/21/2005 Date Surveyed Signature of Herschel L. Jones Professional Surveyor Herschel L. Jones Professional Surveyor Certificate No. 3640 DEKALB PROFESSIONAL LAND SURVEYING COMPANY</p>		

0 330' 660' 990' 1650' 1980' 2310' 2640' 2970' 3300' 0'

YATES PETROLEUM CORPORATION
Dekalb PG Federal Com. #2
1980' FNL and 660' FWL
Section 25, T10S-R25E
Chaves County, New Mexico

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

Queen	190'	Wolfcamp	4785'
Penrose	275'	WC B Zone	4870'
Grayburg	465'	Spear Zone	5135'
San Andres	705'	Cisco	5360'
Glorieta	1785'	Strawn	5495'
Yeso	1920'	Precambrian	5525'
Tubb	3345'	TD	5625'
Abo	4100'		

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

Water: 150'-300'
Oil or Gas: All potential formations.

3. Pressure Control Equipment: BOPE will be installed on the 11 3/4" 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>
14 3/4"	11 3/4"	42#	H-40	ST&C	0-650'
11"	*8 5/8"	24#	J-55	ST&C	0-1600'
7 7/8"	5 1/2"	15.5#	J-55	LT&C	0-5625'

*8 5/8" casing will only be set if lost circulation is encountered.

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

B. CEMENTING PROGRAM:

WITNESS

Surface Casing: 275 sx Lite "C" (YLD 2.1 WT 12.6). Tail w/200 sx
C with 2% CaCL₂ (YLD 1.32 WT 14.8). Cement circulated to surface.

Intermediate Casing: 400 sx Lite C (YLD 2.1 WT 12.6). Tail in w/200 sx
Class C with 2% CaCL₂ (YLD 1.32 WT 14.8).
Sufficient amount of cement to bring it up at least 200' above shoe.

Production Casing: 500 sx Pecos Valley Lite (YLD 1.41 WT 13.0). TOC= approx. 3600'
Cement shall extend upward a minimum of 200' above the Glorieta formation.

5. MUD PROGRAM AND AUXILIARY EQUIPMENT:

<u>Interval</u>	<u>Type</u>	<u>Weight</u>	<u>Viscosity</u>	<u>Fluid Loss</u>
0-650'	FW Gel/Paper/LCM	8.5 - 9.5	32-34	N/C
650'-1600'	Fresh Water	8.4	28	N/C
1600'-4050'	Brine	9.5 - 10.0	28	N/C
4050'-5625'	Starch/Salt Gel/4-6% KCL	9.6 - 9.8	45-55	<6/cc

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, surface casing to TD.

Logging: Platform Express: CNL/LDT/NGT TD-Surf csg; CNL/GR TD-Surf;
DLL/MSFL TD - Surf csg; BHC Sonic TD-Surf csg;

Coring: None

DST's: None.

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

Anticipated BHP:

From: 0	TO: 650'	Anticipated Max. BHP: 320 PSI
From: 650'	TO: 1600'	Anticipated Max. BHP: 700 PSI
From: 1600'	TO: 5625'	Anticipated Max. BHP: 2870 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:

MULTI-POINT SURFACE USE AND OPERATIONS PLAN

Dekalb PG Federal Com. #2

1980' FNL and 660' FWL

Section 25, T10S-R25E

Chaves County, New Mexico

This plan is submitted with Form 3160-3, Application for Permit to Drill, covering the above described well. The purpose of this plan is to describe the location of the proposed well, the proposed construction activities and operations plan, the magnitude of the surface disturbance involved and the procedures to be followed in rehabilitating the surface after completion of the operations, so that a complete appraisal can be made of the environmental effect associated with the operations.

1. EXISTING ROADS:

Exhibit A is a portion of the BLM map showing the well and roads in the vicinity of the proposed location. The proposed well site is located approximately 10 miles east of Roswell, New Mexico and the access route to the location is indicated in red (new) and green (existing) on Exhibit A.

DIRECTIONS:

Drive east of Roswell on Hwy 380, approximately 6.5 miles to Arlene Road on the left side of the highway. Turn left on Arlene Road, go through cattle guard and continue north for approximately 0.9 mile to a old two track road (NE) turn right and continue northeast for approximately 1.0 miles, the new lease road is staked on the right (SE), turn right follow staking southeast for approximately 0.1 of a mile to the NE corner of the location.

2. PLANNED ACCESS ROAD:

- A. The proposed new access will be approximately 609' in length from the point of origin (old two-track road) to the northeast corner of the drilling pad. The road will lie in a northwest to southeast direction.
- B. The new road will be 14 feet in width (driving surface) and will be adequately drained to control runoff and soil erosion.
- C. Existing roads will be maintained in the same or better condition.

3. LOCATION OF EXISTING WELL:

- A. There is drilling activity within a one-mile radius of the well site.
- B. Exhibit D shows existing wells within a one-mile radius of the proposed well site.

4. LOCATION OF EXISTING AND/OR PROPOSED FACILITIES:

- A. There are production facilities on this lease at the present time.
- B. In the event that the well is productive, the necessary production facilities will be installed on the drilling pad. If the well is productive oil, a gas or diesel self-contained unit will be used to provide the necessary power. No power will be required if the well is productive of gas.

5. LOCATION AND TYPE OF WATER SUPPLY:

- A. It is planned to drill the proposed well with a fresh water system. The water will be obtained from commercial sources and will be hauled to the location by truck over the existing and proposed roads shown in Exhibit A.

6. SOURCE OF CONSTRUCTION MATERIALS:

Dirt contractor will locate nearest pit and obtain any permits and materials needed for construction.

7. METHODS OF HANDLING WASTE DISPOSAL:

- A. Drill cuttings will be disposed of in the reserve pits.
- B. Drilling fluids will be allowed to evaporate in the reserve pits until the pits are dry.
- C. Water produced during operations will be collected in tanks until hauled to an approved disposal system, or separate disposal application will be submitted.
- D. Oil produced during operations will be stored in tanks until sold.
- D. Current laws and regulations pertaining to the disposal of human waste will be complied with.
- F. All trash, junk, and other waste materials will be contained in trash cages or bins to prevent scattering and will be removed and deposited in an approved sanitary landfill. Burial on site is not approved.

8. ANCILLARY FACILITIES: NONE

9. WELLSITE LAYOUT:

- A. Exhibit C shows the relative location and dimensions of the well pad, the reserve pits, and the location of the drilling equipment, rig orientation and access road approach.
- B. Yates Petroleum Corporation is in full compliance with the OCD General Plan for Drilling Pits, approved on April 15, 2004. The reserve pits will be plastic lined (12 mil. thick with an estimated volume of 24,000 bbls).
- C. A 600' x 600' area has been staked and flagged.

10. PLANS FOR RESTORATION:

- A. After finishing drilling and/or completion operations, all equipment and other material not needed for further operations will be removed. The location will be cleaned of all trash and junk to leave the well site in as aesthetically pleasing a condition as possible.
- B. Unguarded pits, if any, containing fluids will be fenced until they have dried and been leveled.
- C. If the proposed well is non-productive, all rehabilitation and/or vegetation requirements of the Bureau of Land Management will be complied with and will be accomplished as expeditiously as possible. All pits will be filled level after they have evaporated and dried.

11. SURFACE OWNERSHIP: Bureau of Land Management, Roswell, NM.

12. OTHER INFORMATION:

- A. Topography: Refer to the existing archaeological report for a description of the topography, flora, fauna, soil characteristics, dwellings, historical and cultural sites.
- B. The primary surface use is for grazing.

13. OPERATOR'S REPRESENTATIVE:

- | | |
|---|--|
| A. Through A.P.D. Approval:
Debbie L. Caffall, Regulatory Agent
Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210
Phone (505) 748-1471 | B. Through Drilling, Completions & Prod.
Ray Stall, Operations Manager
Yates Petroleum Corporation
105 South Fourth Street
Artesia, New Mexico 88210
Phone (505) 748-1471 |
|---|--|

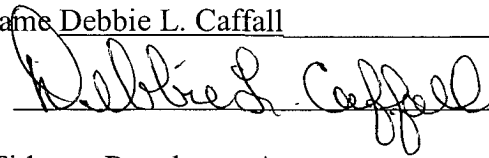
CERTIFICATION
YATES PETROLEUM CORPORATION
Dekalb PG Federal Com #2

I hereby certify that I, or someone under my direct supervision, have inspected the drill site and access route proposed herein; that I am familiar with the conditions which currently exist; that I have full knowledge of state and federal laws applicable to this operation; that the statements made in this APD package are, to the best of my knowledge, true and correct; and that the work associated with the operations proposed herein will be performed in conformity with this APD package and the terms and conditions under which it is approved. I also certify that I, or the company I represent, am responsible for the operations conducted under this application. These statements are subject to the provisions of 18 U.S.C. 1001 for the filing of false statements.

Executed this 23rd day of August, 2007.

Printed Name Debbie L. Caffall

Signature



Position Title Regulatory Agent

Address 105 South Fourth Street, Artesia, NM 88210

Telephone 505-748-4376

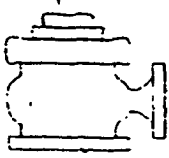
E-mail (optional) debbiec@ypcnm.com

Field Representative (if not above signatory) Jim Krogman

Address (if different from above) Same

Telephone (if different from above) 505-748-4215

E-mail (optional) _____



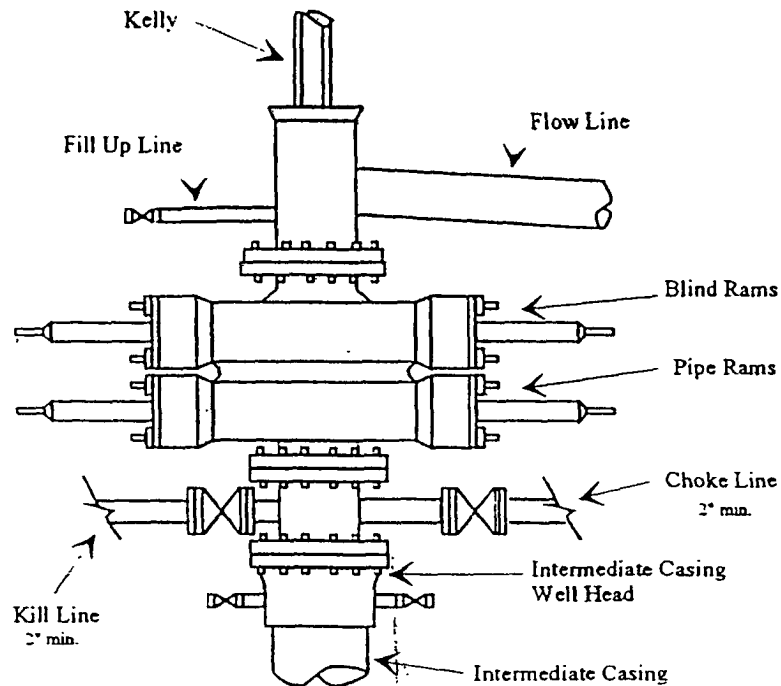
Yates Petroleum Corporation

BOP-2

Typical 2,000 psi Pressure System Schematic

Double Ram Preventer Stack

Yates Petroleum Corporation
DeKalb PG Federal Com. #2
1980' FNL and 660' FWL
Section 25, T10S-R25E
Chaves County, New Mexico
Exhibit "B"



Typical 2,000 psi choke manifold assembly with at least these minimum features

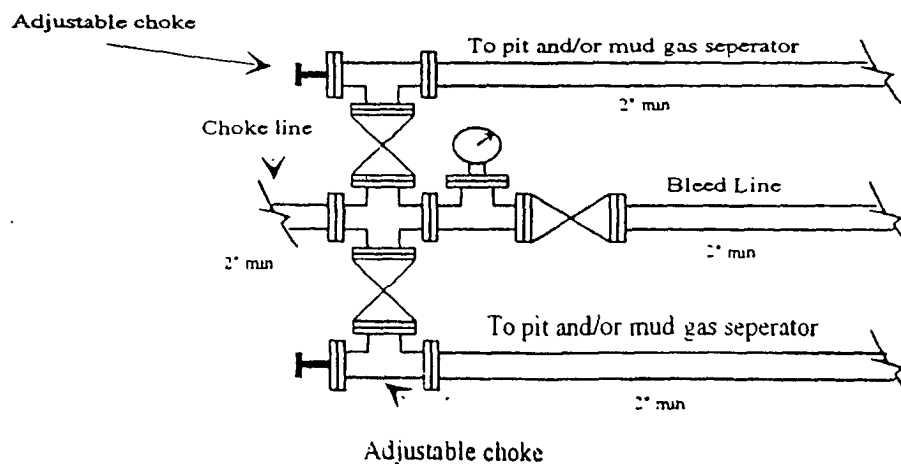


EXHIBIT A

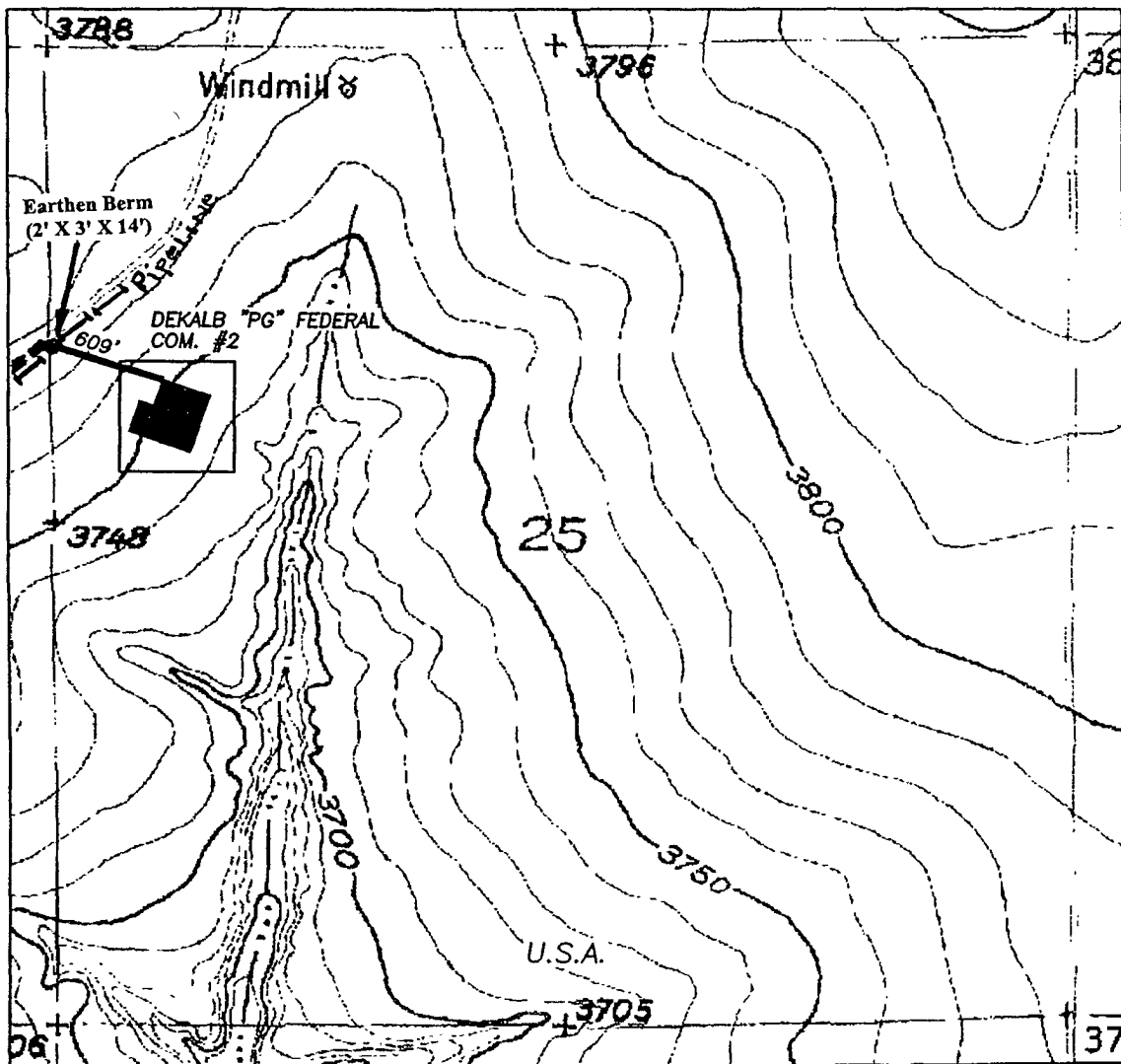
OPERATORS NAME: Yates Petroleum Corporation LEASE NO.: NM-13979

WELL NAME & NO: Dekalb "PG" Federal Com. #2

QUARTER/QUARTER & FOOTAGE: SW $\frac{1}{4}$ NW $\frac{1}{4}$ - 1980' FNL & 660' FWL

LOCATION: Section 25, T. 10 S., R. 25 E., NMPM

COUNTY: Chaves County, New Mexico



V. DRILLING

A. DRILLING OPERATIONS REQUIREMENTS

1. The Bureau of Land Management (BLM) is to be notified at the Roswell Field Office, 2909 West Second St., Roswell, NM 88201, (505) 627-0272, in sufficient time for a representative to witness:

A. Spudding

B. Cementing casing: 11 3/4 inch; 8 5/8 inch is optional depending on lost circulation problems; 5 1/2 inch.

C. BOP Tests

2. A Hydrogen Sulfide (H₂S) Drilling Plan is not required for this wellbore.

3. Unless the production casing has been run and cemented or the well has been properly plugged, the drilling rig shall not be removed from over the hole without prior approval.

4. Submit a Sundry Notice (Form 3160-5, one original and five copies) for each casing string, describing the casing and cementing operations. Include pertinent information such as; spud date, hole size, casing (size, weight, grade and thread type), cement (type, quantity and top), water zones and problems or hazards encountered. The Sundry shall be submitted within 15 days of completion of each casing string. The reports may be combined into the same Sundry if they fall within the same 15 day time frame.

5. The API No. assigned to the well by NMOCD shall be included on the subsequent report of setting the first casing string.

6. A Communitization Agreement shall be submitted to this office for approval prior to any sales from this well.

B. CASING:

1. The 11 3/4 inch shall be set less **650 Feet** with cement circulated to the surface. If cement does not circulate to the surface the appropriate BLM office shall be notified and a temperature survey or cement bond log shall be run to verify the top of the cement. Remedial cementing shall be completed prior to drilling out that string.

2. The minimum required fill of cement behind the 8 5/8 inch Intermediate casing is to **circulate to surface**. The 8 5/8 inch string is optional to run depending on lost circulation problems.

3. The minimum required fill of cement behind the 5 1/2 inch Production casing is to **place TOC at least 200 ft above the top of the Glorieta to 1600 ft, or tie back into 8 5/8 inch intermediate string by 200 ft if run.**

C. PRESSURE CONTROL:

1. All BOP systems and related equipment shall comply with well control requirements as described

in Onshore Oil and Gas Order No. 2. The BOP and related equipment shall be installed and operational before drilling below the 11 3/4 inch casing shoe and shall be tested as described in Onshore Order No. 2. Any equipment failing to test satisfactorily shall be repaired or replaced.

2. Minimum working pressure of the blowout preventer and related equipment (BOPE) shall be 2 M psi.

3. The appropriate BLM office shall be notified in sufficient time for a representative to witness the test.

- The test shall be done by an independent service company
- The results of the test shall be reported to the appropriate BLM office.
- Testing fluid must be water or an appropriate clear liquid suitable for sub-freezing temperatures.
- Use of drilling mud for testing is not permitted since it can mask small leaks.
- Testing must be done in safe workman-like manner. Hard line connections shall be required.
- Both low pressure and high pressure testing of BOPE is required.

VI. PRODUCTION

A. WELL STRUCTURES & FACILITIES

Placement of Production Facilities

Production facilities should be placed on the well pad to allow for maximum interim recontouring and revegetation of the well location.

Containment Structures

The containment structure shall be constructed to hold the capacity of the entire contents of the largest tank, plus 24 hour production, unless more stringent protective requirements are deemed necessary by the Authorized Officer.

Painting Requirement

All above-ground structures including meter housing that are not subject to safety requirements shall be painted a flat non-reflective paint color, Olive Drab, Munsell Soil Color Chart 18-0622 TPX.

VRM Facility Requirement

Low-profile tanks not greater than eight-feet-high shall be used.

VII. INTERIM RECLAMATION & RESERVE PIT CLOSURE

A. INTERIM RECLAMATION

If the well is a producer, interim reclamation shall be conducted on the well site in accordance with the orders of the Authorized Officer. The operator shall submit a Sundry Notices and Reports on Wells (Notice of Intent), Form 3160-5, prior to conducting interim reclamation.