

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

State of New Mexico
Energy Minerals and Natural Resources

Form C-101
June 16, 2008



Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

Submit to appropriate District Office

☐ AMENDED REPORT

JAN 13 2009

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN,
PLUGBACK, OR ADD A ZONE **OCD-ARTESIA**

¹ Operator Name and Address Yates Petroleum Corporation 105 South Fourth Street Artesia, NM 88210		² OGRID Number 025575
		³ API Number 30 - 015-36907
³ Property Code	⁵ Property Name Grande Mike AKZ State.	⁶ Well No. 2H
⁹ Proposed Pool 1 Wildcat Bone Springs		¹⁰ Proposed Pool 2

⁷ Surface Location

UL or lot no Lot 13	Section 2	Township 16S	Range 29E	Lot Idn	Feet from the 3700	North/South line South	Feet from the 200	East/West line West	County Eddy
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⁸ Proposed Bottom Hole Location If Different From Surface

UL or lot no Lot 16	Section 2	Township 16S	Range 29E	Lot Idn	Feet from the 2970	North/South line South	Feet from the 330	East/West line East	County Eddy
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Additional Well Information

¹¹ Work Type Code N	¹² Well Type Code O	¹³ Cable/Rotary Rotary	¹⁴ Lease Type Code State	¹⁵ Ground Level Elevation 3744'
¹⁶ Multiple No	¹⁷ Proposed Depth TVD7283' & MD 11858'	¹⁸ Formation Wolfcamp	¹⁹ Contractor Undetermined	²⁰ Spud Date ASAP

²¹ Proposed Casing and Cement Program

Hole Size	Casing Size	Casing weight/foot	Setting Depth	Sacks of Cement	Estimated TOC
14 3/4"	11 3/4"	42#	400'	275	Surface
11"	8 5/8"	32#	2600'	725	Surface
7 7/8"	5 1/2"	17#	11858' MD	1925	TOC-2100'

²² Describe the proposed program If this application is to DEEPEN or PLUG BACK, give the data on the present productive zone and proposed new productive zone. Describe the blowout prevention program, if any. Use additional sheets if necessary.

Yates Petroleum Corporation proposed to drill and test the Wolfcamp/Intermediate formations. Approximately 400' of surface casing will be set and cement circulated to surface. Intermediate casing will be set at 2600' and cement circulated to surface. If the well is determined that it maybe commercial, production casing will be ran to TD and cemented with top of cement back to approximately 2100', perforated and stimulated as needed to gain production

MUD PROGRAM 0 to 400' w/Fresh Water Gel ; 400' to 2600' w/Brine Water, 2600' to 6000' w/Cut Brine; 6000' to 6780' w/Cut Brine 6780' to 11858' w/Cut Brine (Horizontal Section)

BOP PROGRAM A 3000 psi BOP will be nipped up and tested on the 8 5/8" casing.

H2S IS NOT ANTICIPATED

²³ I hereby certify that the information given above is true and complete to the best of my knowledge and belief.

Signature:

Printed name

Cy Cowan

Title.

Regulatory Agent

E-mail Address

Date:

January 12, 2009

Phone.

575-748-4372

OIL CONSERVATION DIVISION

Approved by:

Title:

District II Supervisor

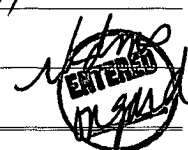
Approval Date

1/14/09

Expiration Date.

1/14/11

Conditions of Approval Attached ☐



YATES PETROLEUM CORPORATION
Grande Mike AKZ State #2H
3700' FSL & 200' FWL, Surface Hole
2970' FSL & 330' FEL, Bottom Hole
Section 2-T16S-R29E
Eddy County, New Mexico

ADDITIONAL COMMENTS: No pilot hole will be drilled. The well will be drilled vertically to 6780'. At 6780' the well will be kicked off and directionally drilled at 12 degrees per 100' with a 7 7/8" hole to 11858' MD (7283' TVD) where 5 1/2" casing will be set and cemented. The penetration point of the producing zone will be encountered at 3628' FSL & 669' FWL of 2-16S-29E. Deepest TVD in the well is 7283' at the end of the lateral.

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State of New Mexico
Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, New Mexico 87505

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

API Number 30.015.36907	Pool Code 97668	Pool Name Wildcat, Wolfcamp (oil)
Property Code 28584	Property Name GRANDE MIKE "AKZ" STATE	Well Number 2H
OGRID No. 025575	Operator Name YATES PETROLEUM CORP.	Elevation 3744'

Surface Location

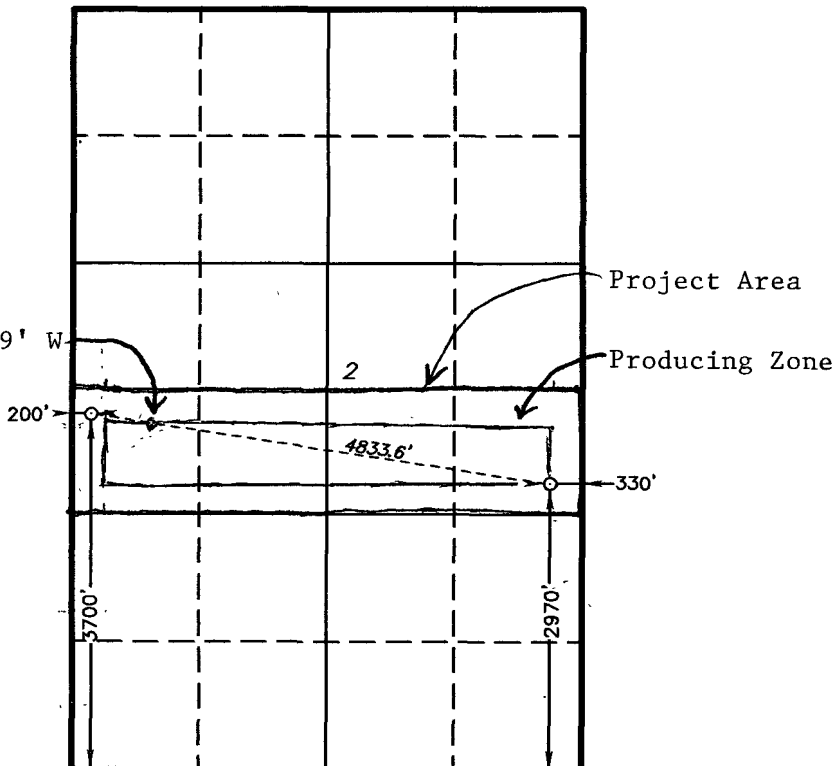
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
LOT 13	2	16 S	29 E		3700	SOUTH	200	WEST	EDDY

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
LOT 16	2	16 S	29 E		2970	SOUTH	330	EAST	EDDY

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.
160			

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

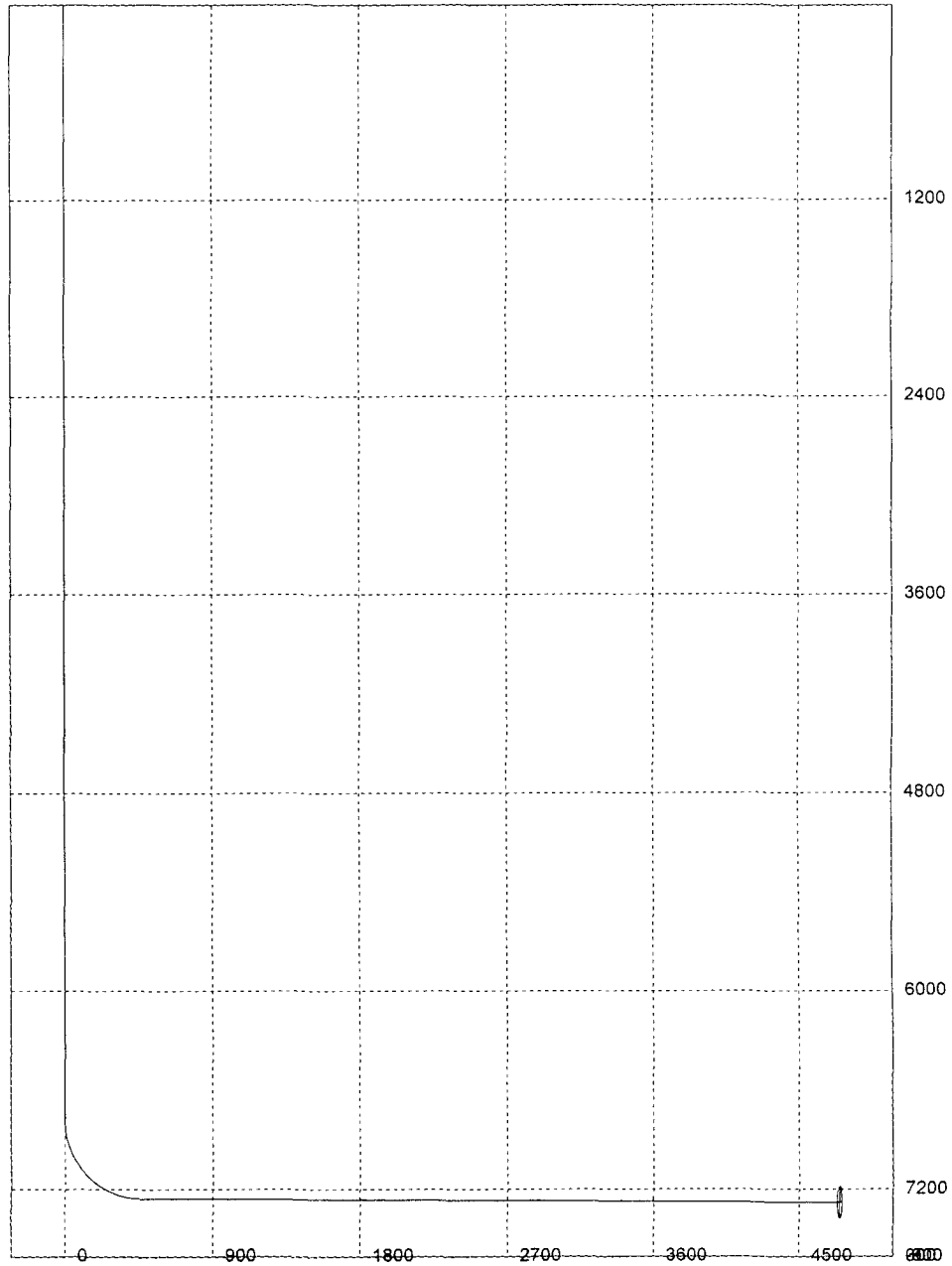
<p>Penetration Point 3628' S & 669' W</p>  <p>Project Area</p> <p>Producing Zone</p> <p>200'</p> <p>330'</p> <p>3700'</p> <p>2970'</p> <p>4833.6'</p>	<p>OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location 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.</p> <p><i>Cy Cowan</i> 11/3/09 Signature Date</p> <p>Cy Cowan Printed Name</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>SEPTEMBER 30, 2008</p> <p>Date Surveyed</p> <p><i>Gary L. Jones</i> Signature & Seal Professional Surveyor</p> <p>No. 200173</p>
	<p>SURFACE LOCATION Lat - N32°57'13.07" Long - W104°03'12.37" N.: 710780.541 E.: 627192.321 (NAD-83)</p> <p>BOTTOM HOLE LOCATION Lat - N32°57'05.72" Long - W104°02'16.34" N.: 710050.035 E.: 631968.793 (NAD-83)</p> <p>Certificate No. Gary L. Jones 7977</p> <p>Basin Surveys</p>

0	0	0	0	0	0	0			
1,000	0	0	1,000	0	0	0			YATES
1,219	0	0	1,219	0	0	0			SEVEN RIVERS
1,732	0	0	1,732	0	0	0			QUEEN
2,148	0	0	2,148	0	0	0			GRAYBURG
2,514	0	0	2,514	0	0	0			SAN ANDRES
4,020	0	0	4,020	0	0	0			GLORIETA
5,292	0	0	5,292	0	0	0			TUBB
6,008	0	0	6,008	0	0	0			ABO
6780	0	0	6780	0	0	12	99	GN	KOP
6800	2.4	98.74	6799.99	-0.06	0.41	12	360	HS	
6825	5.4	98.74	6824.93	-0.32	2.09	12	360	HS	
6850	8.4	98.74	6849.75	-0.78	5.06	12	0	HS	
6875	11.4	98.74	6874.38	-1.43	9.31	12	0	HS	
6900	14.4	98.74	6898.74	-2.28	14.83	12	360	HS	
6925	17.4	98.74	6922.78	-3.32	21.6	12	360	HS	
6950	20.4	98.74	6946.43	-4.55	29.6	12	360	HS	
6975	23.4	98.74	6969.62	-5.97	38.81	12	360	HS	
7000	26.4	98.74	6992.3	-7.56	49.22	12	0	HS	
7025	29.4	98.74	7014.39	-9.34	60.78	12	0	HS	
7050	32.4	98.74	7035.84	-11.29	73.47	12	360	HS	
7075	35.4	98.74	7058.59	-13.41	87.25	12	0	HS	
7100	38.4	98.74	7076.58	-15.69	102.08	12	0	HS	
7125	41.4	98.74	7095.75	-18.12	117.93	12	0	HS	
7150	44.4	98.74	7114.06	-20.71	134.75	12	0	HS	
7175	47.4	98.74	7131.46	-23.44	152.49	12	0	HS	
7200	50.4	98.74	7147.89	-26.3	171.11	12	0	HS	
7225	53.4	98.74	7163.32	-29.28	190.55	12	0	HS	
7250	56.4	98.74	7177.69	-32.39	210.77	12	0	HS	
7275	59.4	98.74	7190.97	-35.61	231.7	12	360	HS	
7300	62.4	98.74	7203.13	-38.93	253.28	12	360	HS	
7325	65.4	98.74	7214.13	-42.34	275.47	12	0	HS	
7350	68.4	98.74	7223.94	-45.83	298.2	12	0	HS	
7375	71.4	98.74	7232.53	-49.39	321.4	12	360	HS	
7400	74.4	98.74	7239.88	-53.02	345.01	12	0	HS	
7425	77.4	98.74	7245.97	-56.71	368.98	12	0	HS	
7450	80.4	98.74	7250.78	-60.43	393.22	12	360	HS	
7475	83.4	98.74	7254.3	-64.19	417.68	12	360	HS	
7500	86.4	98.74	7256.52	-67.97	442.29	12	360	HS	
7525	89.4	98.74	7257.44	-71.77	466.98	12	0	HS	
7527.18	89.66	98.74	7257.46	-72.1	469.14	12	360	HS	Producing Zone
11858.38	89.66	98.74	7283	-730	4750	0			Lateral TD

Well will be drilled vertically to approx. 6780'. At 6780' well will be kicked off and directionally drilled at 12 degrees per 100' with a 7 7/8" hole to 11,858' MD 7,283' TVD where 5 1/2" casing will be set and cemented. Penetration point of producing zone will be encountered at 3628' FSL and 669' FWL, 2-16S-29E. Deepest TVD in the well is 7283' at the end of the lateral. NO PILOT HOLE.

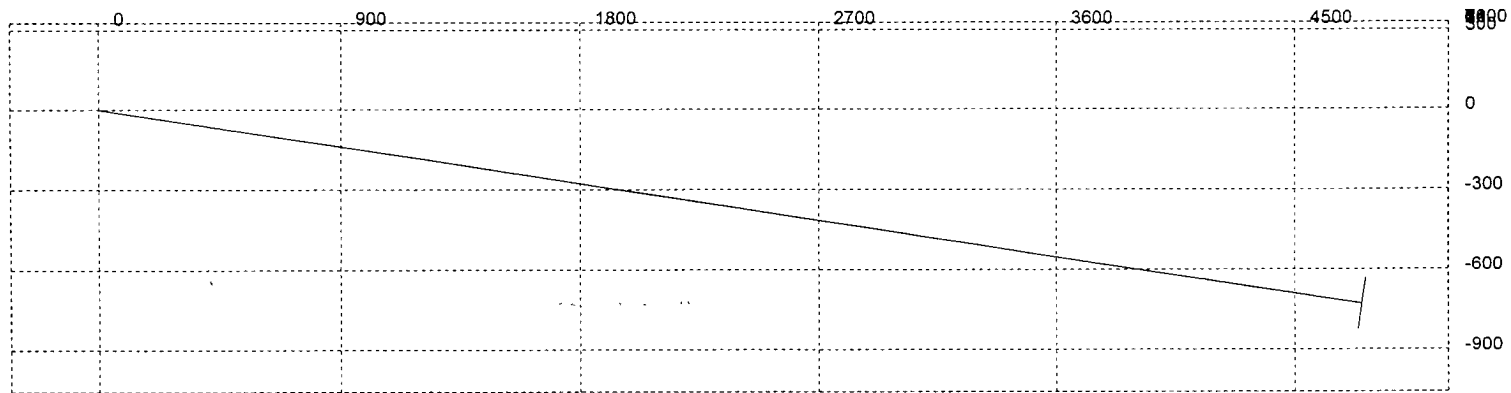
3D^s Directional Drilling Planner - 3D View

Company: Yates Petroleum Corporation
Well: Grande Mike AKZ State #2H



3D^s Directional Drilling Planner - 3D View

Company: Yates Petroleum Corporation
Well: Grande Mike AKZ State #2H

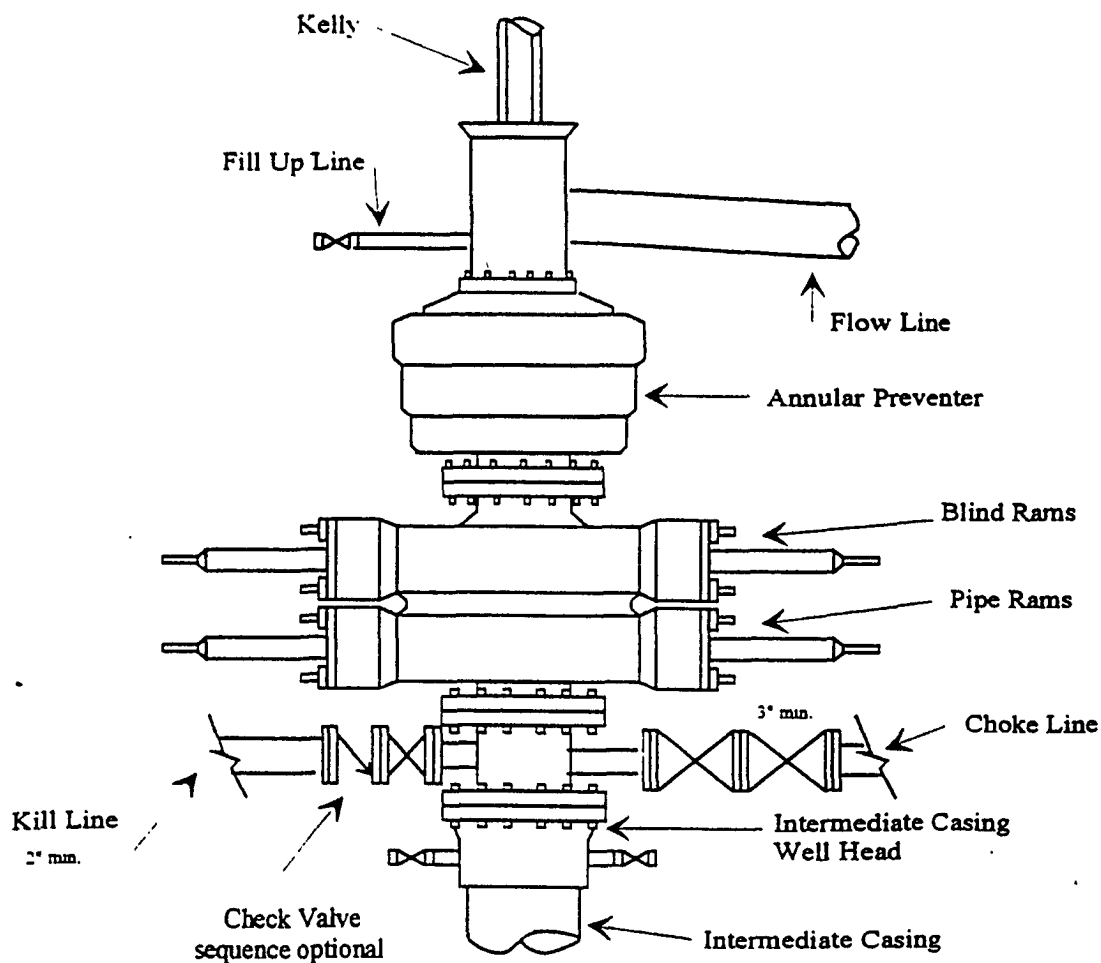




Yates Petroleum Corporation

BOP-3

Typical 3,000 psi Pressure System Schematic Annular with Double Ram Preventer Stack



Typical 3,000 psi choke manifold assembly with at least these minimum features

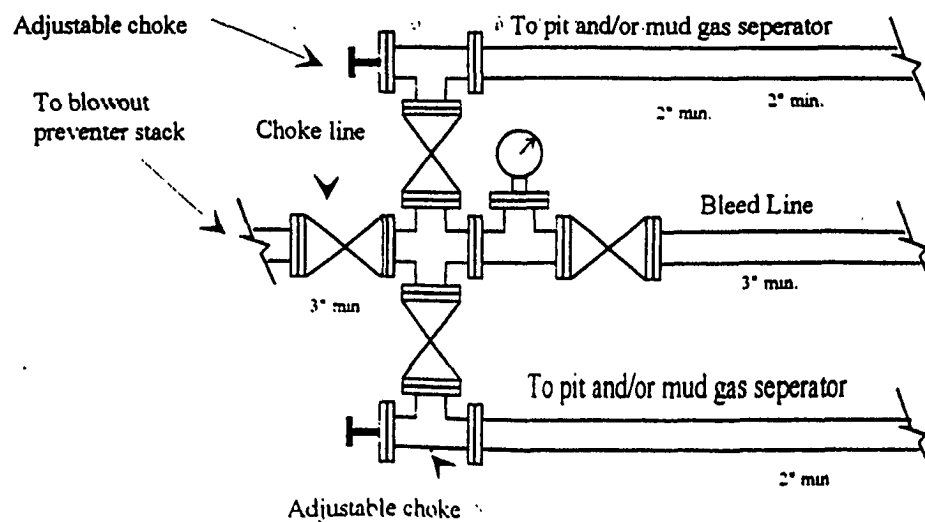


Exhibit "A"

Grande Mike AKZ State #2H - Siting Requirements:

Enclosed herewith are supporting maps and documents to support siting required by 19.15.17.10 NMAC.

Attached is the water data for the area that indicates depth to water is less than 200 feet (Exhibit B-1). From our site inspection of the location there are no continuously flowing watercourse within 300 feet or within 200 feet of any significant watercourse lakebeds, sinkhole or playa lakes. There are no permanent residences, school, hospital, institutions or church in existence within 300 feet or 1000 feet of the location. From iWaters database and visual inspection there are no domestic fresh water wells or springs within 500 horizontal feet or 1000 horizontal feet from the well location (Exhibit B-1). The location is not within the incorporated municipal boundaries or within a defined fresh water well field covered under a municipal ordinance and not within 500 feet of a wetland. There are no subsurface mines overlying the area. 100 year flood plain has not been indicated on the FEMA website, this section is not in the flood plain area (Exhibit A-1).

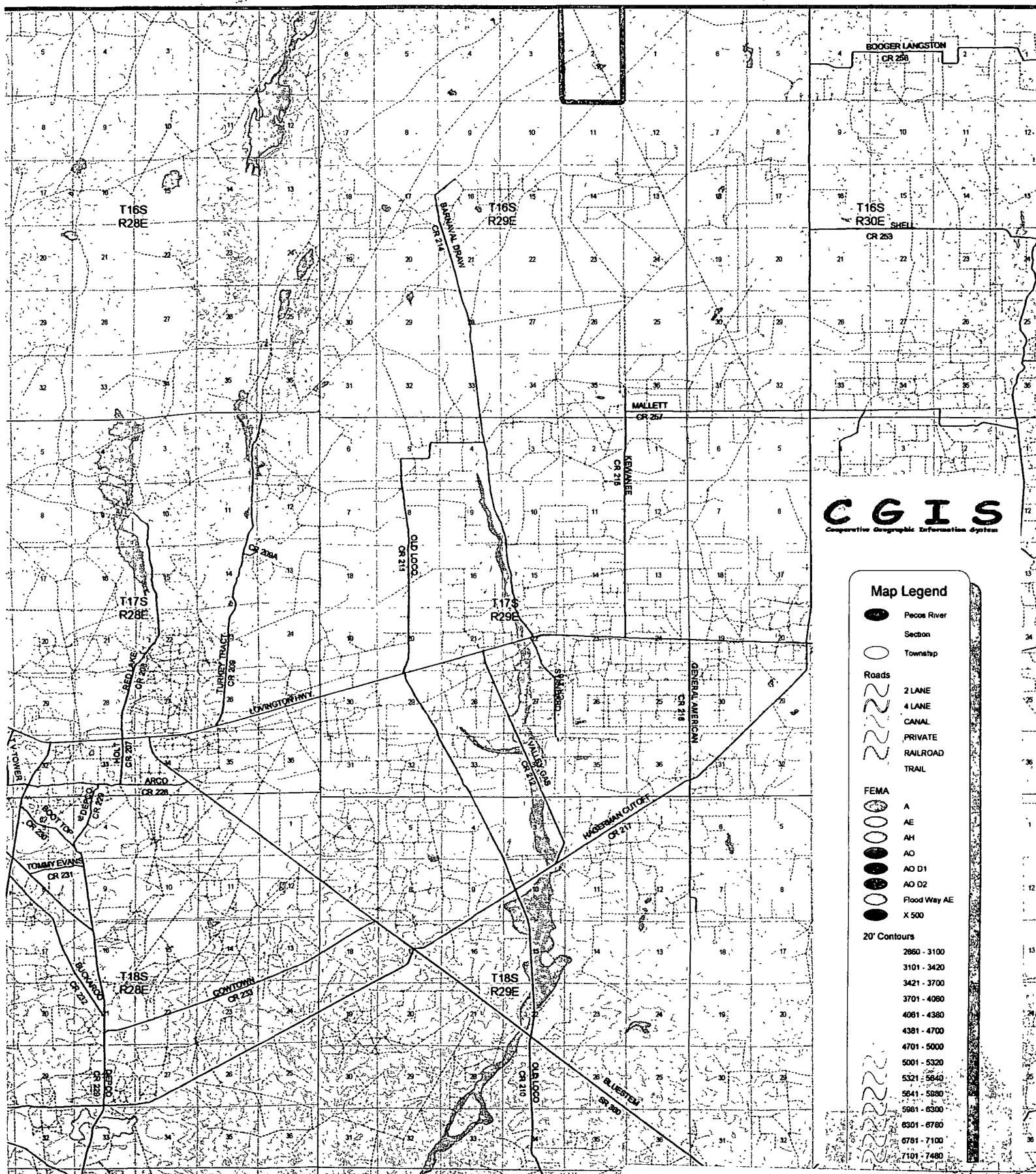


Regulatory Agent



Date

1/13/09



CGIS
Cooperative Geographic Information System

Map Legend

- Pecos River
- Section
- Township
- Roads**
 - 2 LANE
 - 4 LANE
 - CANAL
 - PRIVATE
 - RAILROAD
 - TRAIL
- FEMA**
 - A
 - AE
 - AH
 - AO
 - AO D1
 - AO D2
 - Flood Way AE
 - X 500
- 20' Contours**
 - 2860 - 3100
 - 3101 - 3420
 - 3421 - 3700
 - 3701 - 4080
 - 4081 - 4380
 - 4381 - 4700
 - 4701 - 5000
 - 5001 - 5320
 - 5321 - 5640
 - 5641 - 5980
 - 5981 - 6300
 - 6301 - 6780
 - 6781 - 7100
 - 7101 - 7480

Grande Mike AKZ State #2H
3700' FSL and 200' FWL, Surface Hole
3630' FSL and 330' FEL, Bottom Hole
Section 2, T16S-R29E
Eddy County, New Mexico
Exhibit "A-1"

New Mexico Office of the State Engineer
POD Reports and Downloads

Township: Range: Sections:

NAD27 X: Y: Zone: Search Radius:

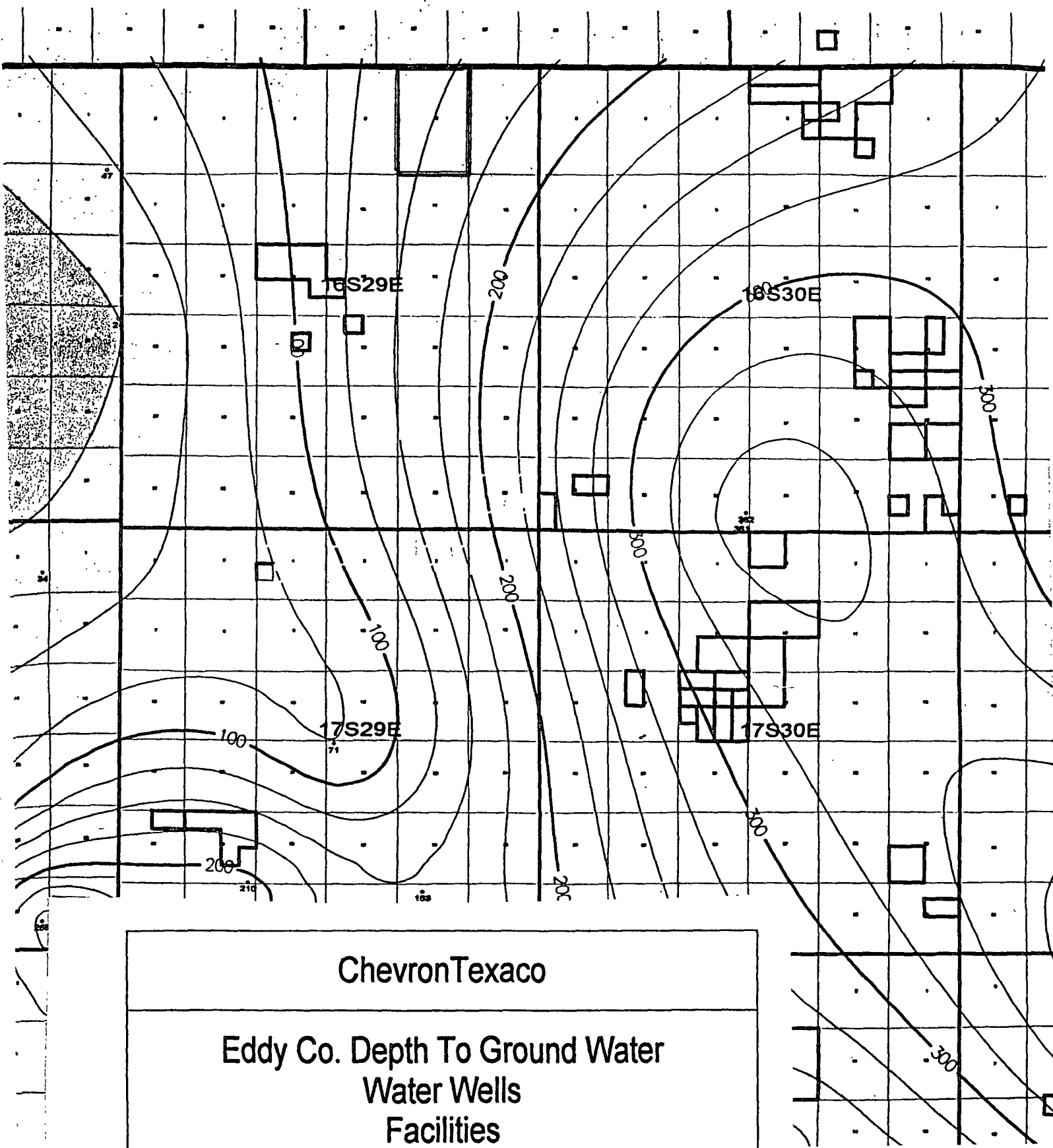
County: Basin: Number: Suffix:

Owner Name: (First) (Last) ☐ Non-Domestic ☐ Domestic
☒ All

AVERAGE DEPTH OF WATER REPORT 01/12/2009

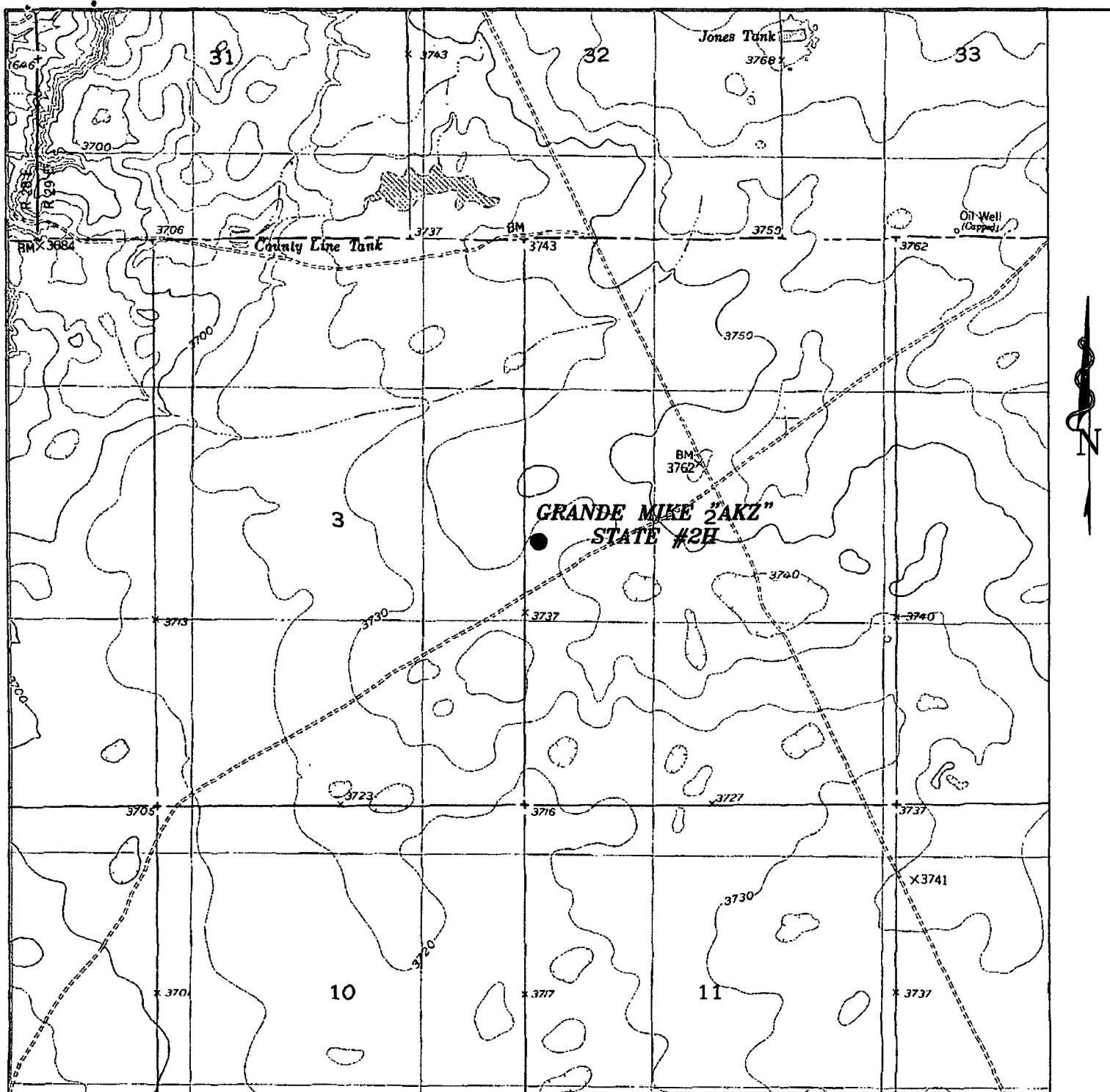
Bsn	Tws	Rng	Sec	Zone	X	Y	Wells	(Depth Water in Feet)		
								Min	Max	Avg
RA	16S	29E	19				1	110	110	110

Record Count: 1

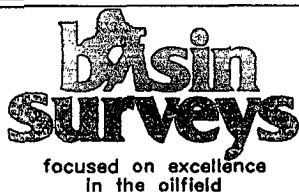


ChevronTexaco		
Eddy Co. Depth To Ground Water Water Wells Facilities		
Wayne Johnson		2/9/2005
	Scale 1:113068.59	

Grande Mike AKZ State #2H
3700' FSL and 200' FWL, Surface Hole
3630' FSL and 330' FEL, Bottom Hole
Section 2, T16S-R29E
Eddy County, New Mexico
Exhibit "B-1"



GRANDE MIKE "AKZ" STATE #2H
 Located at 3700' FSL AND 200' FWL
 Section 2, Township 16 South, Range 29 East,
 N.M.P.M., Eddy County, New Mexico.



P.O. Box 1786
 1120 N. West County Rd.
 Hobbs, New Mexico 88241
 (575) 393-7316 - Office
 (575) 392-2206 - Fax
 basinsurveys.com

W.O. Number: 20573

Survey Date: 09-30-2008

Scale: 1" = 2000'

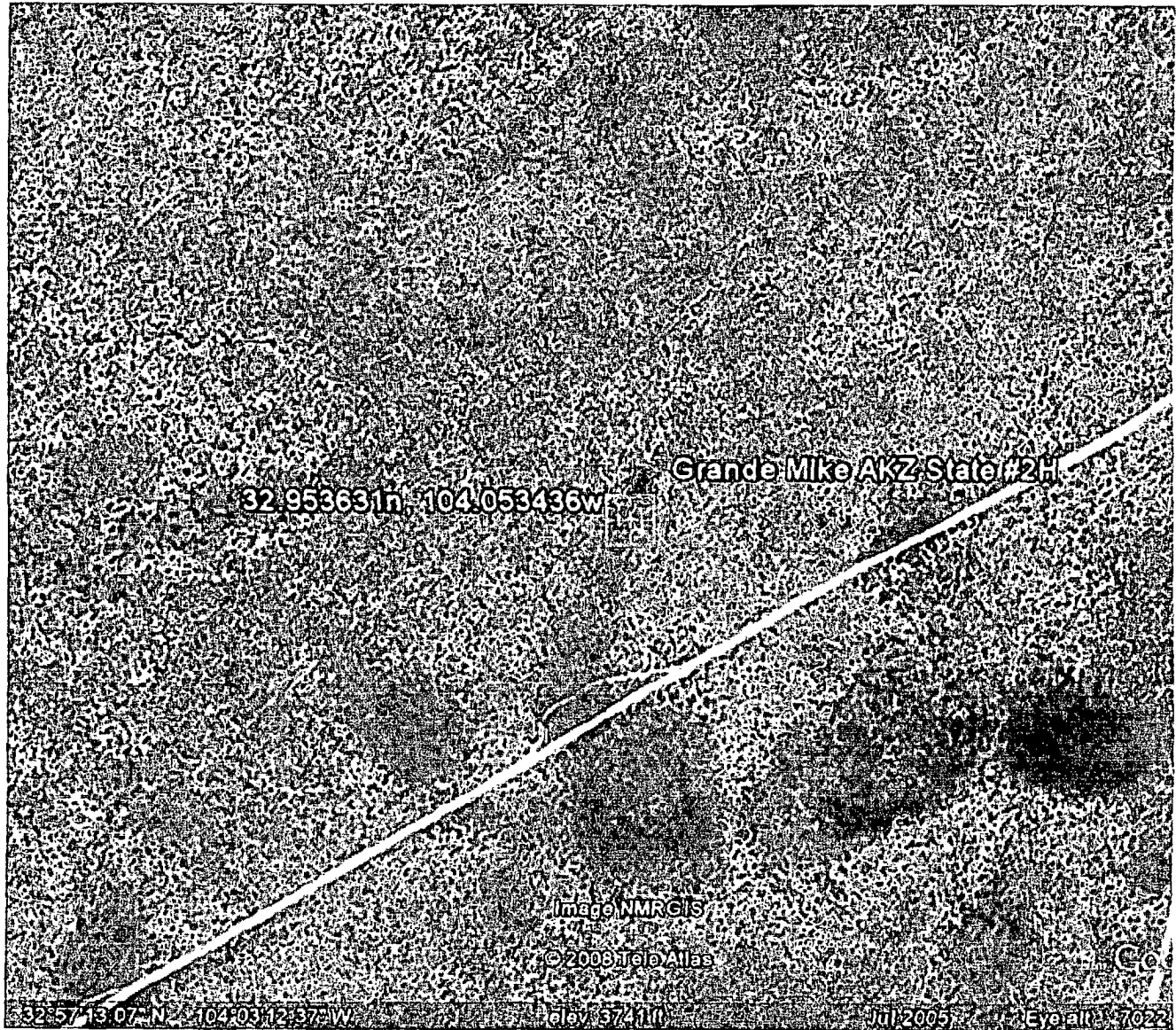
Date: 10-01-2008

YATES

Grande Mike AKZ State #2H
 3700' FSL and 200' FWL, Surface-Hole
 3630' FSL and 330' FEL, Bottom Hole
 Section 2, T16S-R29E
 Eddy County, New Mexico
 Exhibit "C"



Grande Mike AKZ State #2H
3700' FSL and 200' FWL, Surface Hole
3630' FSL and 330' FEL, Bottom Hole
Section 2, T16S-R29E
Eddy County, New Mexico
Exhibit "C-1"



Yates Petroleum Corporation

Design Requirements For Temporary Reserve Pit

Sign posted on site / location or on the fence of reserve pit identifying the operator, listing their phone #, location of site by $\frac{1}{4}$ / $\frac{1}{4}$ or unit letter, and S- T- R.

Pit must be fenced to prevent unauthorized access. Fence must remain in good repair. The fence to be barbed wire, space at 1 foot intervals from 1' to 4' off ground. Pit will be fenced on 3 sides during drilling; the 4th side will be fenced upon removal of drilling rig.

Slope of the pit walls is no greater than two horizontal feet to one vertical foot.

Welded liner seams must run up & down the banks of the pit, not horizontally across them.

Field seams must be welded.

Edges of the liner must be anchored in trenches at least 18 inches deep. Edge of liner will protrude from the outside edge of the trench.

Pit shall be designed to prevent to run on of surface water.

Grande Mike AKZ State #2H
3700' FSL and 200' FWL, Surface Hole
3630' FSL and 330' FEL, Bottom Hole
Section 2, T16S-R29E
Eddy County, New Mexico
Exhibit "D"

Yates Petroleum Corporation

Drilling Operations Requirements for Temporary Reserve Pit.

While the drilling rig is onsite, Operator's representative will inspect the temporary pit daily to ensure that the liner is intact, and that no releases are occurring.

Thereafter, the operator shall inspect at least once weekly as long as liquids remain in the temporary pit.

Operator will maintain a log of such inspections and make the log available to the appropriate NMOCD District office upon request.

A copy of the inspection log shall be filed with the NMOCD when operator closes the pit.

Operator must notify NMOCD if liner is damaged, and must repair or replace the damaged liner. Operator has 48 hours to notify NMOCD and make repairs.

NO HOLES in pit liners – not even in the part of the liner that is not in the reserve pit .

All drilling fluids to be removed from temporary pit within 30 days of rig release date

Hydrocarbon based drilling fluids will be stored in steel pits.

Liner –will be 20mil.,string reinforced with welded seams.

Fluids to be added to pit through a header, diverter, or other hardware that prevents damage to liner by erosion, fluid jets, or impacts from installations and removal of hoses or pipes.

Operator shall have onsite an oil absorbent boom or other device to contain and remove oil from a pits surface.

Operator must maintain a freeboard of at least two feet for a temporary pit.

Pit will be bermed to prevent run on of water into the pit.

Safety:

With the use of a temporary pit operator is better able to conduct flammable and dangerous fluids further away from rig personnel and well bore.

Closure Procedure For Temporary Drilling Pits

1. De-water pit within 30 days of rig release.
2. Weekly inspection of fluid level in drilling pit after rig release date until fluids are removed. Weekly levels will be recorded in a log to be submitted to the appropriate OCD district office at time of pit closure.
3. All removed pit fluids will be disposed of in an OCD approved manner at one of the listed OCD approved disposal facilities.

Disposal Facility: Gandy Marley, CRI, or Lea Land

Disposal Facility Permit Number: NM-01-0019, R-9166 or NM-1-035

4. If fluids are reclaimed the appropriate OCD district office will be contacted beforehand for approval to do so.
5. Within 6 months of the rig release date and after the removal of all free liquids from the temporary drilling pit, the surface owner will be notified by certified mail, return receipt requested that the operator will close the pit. OCD division office will be notified verbally that waste excavation and removal will begin.
6. All impacted contents of the temporary drilling pit will be stabilized by mixing of dry non-waste containing earthen material so that such material will pass a paint filter test.
7. All stabilized pit contents, including the synthetic pit liner will be loaded into trucks and transferred to the division-approved facility listed below for proper disposal.

Disposal Facility: Gandy Marley, CRI or Lea Land

Disposal Facility Permit Number: NM-01-0019, R-9166 or NM-1-035

8. Once all visually impacted materials have been removed from the temporary drilling pit, testing and analyzing of the soils beneath the pit will be conducted in accordance with 19.15.17.13, B., 1(b) (i) or (ii) whichever is appropriate to determine if a release has occurred during utilization of the pit.
9. When analysis indicates that the soils within the pit area are within the recommended actions levels backfilling will begin.

Grande Mike AKZ State #2H
3700' FSL and 200' FWL, Surface Hole
3630' FSL and 330' FEL, Bottom Hole
Section 2, T16S-R29E
Eddy County, New Mexico
Exhibit "F"

- 10. Backfill material will consist of non-waste containing earthen material. The cleaned out drilling pit will be filled with such material to a level which shall allow space for the addition of topsoil which will be equal to the thickness of the background topsoil or one foot whichever is greater as directed in 19.15.17.13, H (1) NMAC.**
- 11. The topsoil cover will be placed on to the drilling pit area in a manner of existing grade and will prevent ponding of water and erosion of the cover material.**
- 12. Within 60 days of closure completion a closure report on form C-144 will be submitted to the appropriate district office. The report will contain detailed information on the backfilling, capping. The closure report will also include a plat of the closed pit location on a form C-105.**
- 13. Within the first growing season after the approved pit closure seeding of the pit area shall occur. The seeding will be performed in accordance with 19.15.17.13, I, (2) (3) (4) (5).**