

SECRETARY'S POTASH

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

OCD Hobbs
HOBBS OCD

FEB 06 2013

ATS-11-916

FORM APPROVED
OMB No. 1004-0137
Expires July 31, 2010

1a. Type of work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. NM-59392
1b. 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 S. Fourth St Artesia, NM 88210	3b. Phone No. (include area code) 575-748-4120	8. Lease Name and Well No. Lusk AHB Federal #7H <12527>
3c. Address 105 S. Fourth St Artesia, NM 88210		9. API Well No. 30-025-40988
4. Location of Well (Report location clearly and in accordance with any State requirements. *) At surface 710' FNL & 2410' FWL At proposed prod. zone 330' FSL & 1760' FWL		10. Field and Pool, or Exploratory Undesignated, 2nd Bond Spring (41442) EAST
14. Distance in miles and direction from nearest town or post office* Approximately 37 miles to Carlsbad		11. Sec., T. R. M. or Blk. and Survey or Area Section 35 T19S-R32E
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 330'	16. No. of acres in lease 636.08	12. County or Parish Lea
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 1800'	19. Proposed Depth 9764' TVD 13818' MD	13. State NM
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3571' GL	22. Approximate date work will start* 01/16/2013	17. Spacing Unit dedicated to this well E2W2, 160 acres
23. Estimated duration 30 days		20. BLM/BIA Bond No. on file NATIONWIDE BOND #NMB000434

24. Attachments

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No. 1, must be attached to this form:

- Well plat certified by a registered surveyor.
- A Drilling Plan.
- A Surface Use Plan (if the location is on National Forest System Lands, the SUPO must be filed with the appropriate Forest Service Office).
- Bond to cover the operations unless covered by an existing bond on file (see Item 20 above).
- Operator certification
- Such other site specific information and/or plans as may be required by the BLM.

25. Signature 	Name (Printed/Typed) Travis Hahn	Date 07/16/2012
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Title
Land Regulatory Agent

Approved by (Signature) 	Name (Printed/Typed) Aden L Seidlitz	Date JAN 29 2013
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Title STATE DIRECTOR	Office NM STATE OFFICE
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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 TWO YEARS

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.

(Continued on page 2)

*(Instructions on page 2)

Capitan Controlled Water Basin

KZ
02/11/13

Approval Subject to General Requirements
& Special Stipulations Attached

SEE ATTACHED FOR
CONDITIONS OF APPROVAL

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

OCD-HOBBS

FORM APPROVED
OMB No. 1004-0137
Expires March 31, 2007

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or reenter an abandoned well. Use Form 3160-3 (APD) for such proposals.

SUBMIT IN TRIPLICATE - Other instructions on page 2.

1. Type of Well <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other		5. Lease Serial No. NM-59392
2. Name of Operator Yates Petroleum Corporation 025575		6. If Indian, Allottee or Tribe Name Lusk AIB Federal #7H
3a. Address 105 South Fourth Street, Artesia, NM 88210	3b. Phone No. (include area code) (505) 748-1471	7. If Unit or CA/Agreement, Name and/o
4. Location of Well (Footage, Sec., T., R., M., or Survey Description) 710' FNL and 2410' FWL Surface Hole Location 330' FSL and 1760' FWL Bottom Hole Location Section 35, T19S-R32E		8. Well Name and No. Lusk AIB Federal #7H
		9. API Well No.
		10. Field and Pool, or Exploratory Area Wildcat Wolfcamp
		11. County or Parish, State Lea County, New Mexico

12. CHECK THE APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION			
<input type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize	<input type="checkbox"/> Deepen	<input type="checkbox"/> Production (Start/Resume)	<input type="checkbox"/> Water Shut-Off
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Fracture Treat	<input type="checkbox"/> Reclamation	<input type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete	<input checked="" type="checkbox"/> Other
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	Change of surface
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> Water Disposal	Use Plan.

13. Describe Proposed or Completed Operation: Clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recomplate horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports must be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompletion in a new interval, a Form 3160-4 must be filed once testing has been completed. Final Abandonment Notices must be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

Yates Petroleum Corporation wishes to amend the Surface Use Plan for the captioned to include the construction of a 320' x 320' x 11' freshwater reservoir to be used for fracing operations for the Lusk AIB Federal wells and other possible future wells in the area.

The frac pond will be located in the NW/NE/4 of Section 35.

On the east side of the frac pond there will be a 12' wide road with in the buffer with ramps and a turn around for the water trucks after unloading.

Please note attached plats

Thank you.

14. I hereby certify that the foregoing is true and correct	
Name (Printed/Typed) Cy Cowan	Title Land Regulatory Agent
Signature 	Date August 9, 2011

THIS SPACE FOR FEDERAL OR STATE USE

Approved by /s/ Aden L. Seidlitz	Title FIELD MANAGER	Date JAN 29 2013
Conditions of approval, if any, are attached. Approval of this notice 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.	Office CARLSBAD FIELD OFFICE	

Title 18 U.S.C. Section 1001, 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)

YATES PETROLEUM CORPORATION

Lusk AHB Federal #7H
710' FNL & 2410' FWL Surface Hole Location
330' FSL and 1760' FWL Bottom Hole Location
Section, 35-T19S-R32-E
Lea County, New Mexico

- The estimated tops of geologic markers are as follows:

Rustler	1083'	Avalon Sand	7918' Oil
Top of Salt	1168'	Middle Avalon	8239'
Base of Salt	2718'	Lower Avalon	8573'
Yates	2883' Oil	1 st Bone Spring/SD	8808' Oil
Capitan Reef	3228'	2 nd Bone Spring/SD	9435' Oil
Bell Canyon	4723' Oil	Target Zone SBSG	10041' Oil
Cherry Canyon	5023' Oil	TD	13818'
Brushy Canyon	6248' Oil		
Bone Spring	7723' Oil		
- The estimated depths at which anticipated water, oil or gas formations are expected to be encountered:

Water: Approx. 250' - 350' and 3228'
Oil or Gas: All Potential Zones—see above

- Pressure Control Equipment: Yates Petroleum Corporation hereby request a variance to allow us to place a 2000 PSI annular system with a 21 1/4" opening will be installed on the 20" a 3000 PSI BOPE with a 13.625" opening will be installed on the 13.375" casing and 5000 PSI BOPE will be installed on the 9.625" casing. Pressure tests to 1000 PSI, 3000 PSI and 5000 PSI respectively and held for 30 minutes will be conducted before drilling out from under all casing strings, which are set and cemented in place. Blowout Preventer controls will be installed prior to drilling the surface plug and will remain in use until the well is completed or abandoned. Preventers 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. *Low pressure test - See COA*

Auxiliary Equipment:

- 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:

- Casing Program: (All New) Intermediate casing will be J-55/H-40 Hybrid

Hole Size	Casing Size	Wt./Ft	Grade	Coupling	Interval	Length
36"	30"		H-40		0-58'	58'
26"	20"	106.5#	J-55	ST&C	0-80'	80'
26"	20"	94.0#	J-55	ST&C	80'-900'	820'
26"	20"	106.5#	J-55	ST&C	900'- 1110' 1175'	210'
17 1/2"	13 3/8"	61.0#	HCK-55	ST&C	0-80'	80'
17 1/2"	13 3/8"	54.5#	J-55 H-40	ST&C	80'-1800'	1720'
17 1/2"	13 3/8"	61.0#	HCK-55	ST&C	1800'-2850'	1050'
12 1/4"	9 5/8"	40.0#	HCK-55	LT&C	0-80'	80'
12 1/4"	9 5/8"	36.0#	J-55	LT&C	80'-3500'	3420'
12 1/4"	9 5/8"	40.0#	HCK-55	LT&C	3500'-4800'	1300'
8 3/4"	5 1/2"	17.0#	P-110	LT&C	0-9280'	9280'
8 1/2"	5 1/2"	17.0#	P-110	Buttress Thread	9280'-13818'	4538'

See COA

Well will be drilled vertically to 9286'. Well will be kicked off at approximately 9286' and directionally drilled at 12 degrees per 100' with an 8 3/4" hole to 10041' MD (9764' TVD). Hole size will then be reduced to 8 1/2" and drilled to 13818' MD (9728' TVD) where 5 1/2" casing will be set. A DV tool will be set at approximately 7000'. Penetration point of producing zone will be encountered at 1187' FNL & 2339' FWL, 35-19S-32E. Deepest TVD in the well will be 9764', in the lateral. NO PILOT HOLE.

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

B. CEMENTING PROGRAM:

Surface casing: Lead with 1535 sacks of Class PozC 35:65:6 (Yld 2.00 Wt.12.5). Tail in w/200 sacks of "C" (Yld 1.34 Wt 14.8) w/CaCl₂ +2% designed with 100% excess. TOC-Surface.

Intermediate Casing 1 (0'-2850'): Lead with 1841 sacks of Class PozC 35:65:6 (Yld 2.0 Wt 12.5); Tail in w/200 sacks of Class "C" (Yld 1.34 Wt. 14.8) w/CaCl₂ +2% designed with 100% excess. TOC-Surface.

Intermediate Casing 2:

Stage 2 (0'-3170'): Lead with 860 sacks of Class PozC 35:65:6 (Yld 2.0 Wt 12.5); Tail in w/200 sacks of Class C (Yld 1.34 Wt 14.8) w/CaCl₂ +2% designed with 100% excess. TOC Surface.

Stage 1 (3170'-4800'): Lead with 370 sacks of Class PozC 35:65:6 (YLD 2.0 Wt 12.5); tail in with 200 sacks of Class C (Yld 1.34 Wt 14.8) with CaCl₂ + 2%, designed with 100% excess.

Production casing will be cemented using DV tool at 7000'.

Production Casing 2nd stage (3000'-7000'): Lead w/545 sacks of Class PozC 35:65:6 (Yld 2.0 Wt 12.5). Tail in 200 sacks of Pecos VILt (Yld 1.41 Wt 13.0) with the additives including 30% CaCO₃, 3.2% Expansion additive, 2% Antifoam, .8% Retarder, 15% Fluid loss. Designed with 35% excess, and TOC is 3000'.

Production Casing 1st stage (7000'-13818'): Lead with 510 sacks of Class PozC 35:65:6 (Yld 2.0 Wt 12.5); Tail in 925 sacks of Pecos VILt (Yld 1.41 Wt. 13.0) with the additives including 30% CaCO₃, 3.2% Expansion additive, 2% Antifoam, 0.8% Retarder, 15% Fluid loss, designed with 35% excess. TOC-7000'

5. Mud Program and Auxiliary Equipment:

Interval	Type	Weight	Viscosity	Fluid Loss
0'-1110' <i>See COR</i>	Fresh Water Gel	8.6-9.2	32-34	N/C
1125'-3000'	Brine Water	10.0-10.2	28-29	N/C
3000'-4500'	Fresh Water	8.6-9.2	28-32	N/C
4500'-10573'	Cut Brine	8.8-9.2	30-34	N/C

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: 30' samples to 4800' then 10' samples from 4800' to TD.

Logging: GR Newtron 30 degrees dev to surface, Density 30 degrees dev to intermediate casing, Laterolog 30 degrees dev to intermediate casing, CMR 30 degrees dev to intermediate casing, Schlumberger Tools Platform/HRLA/CMR.

Coring: As warranted.

DST's: As warranted.

Mudlogging: On, from surface casing to TD (1110'-13818')

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

Anticipated BHP:

From: 0	TO: 1110'	Anticipated Max. BHP:	531	PSI
From: 1125'	TO: 2850'	Anticipated Max. BHP:	1512	PSI
From: 2850'	TO: 4800'	Anticipated Max. BHP:	2296	PSI
From: 4800'	TO: 9764'	Anticipated Max. BHP:	4671	PSI

No abnormal pressures or temperatures are anticipated.

Lost Circulation Zones Anticipated: None.

H2S Zones Anticipated: None

8. ANTICIPATED STARTING DATE:

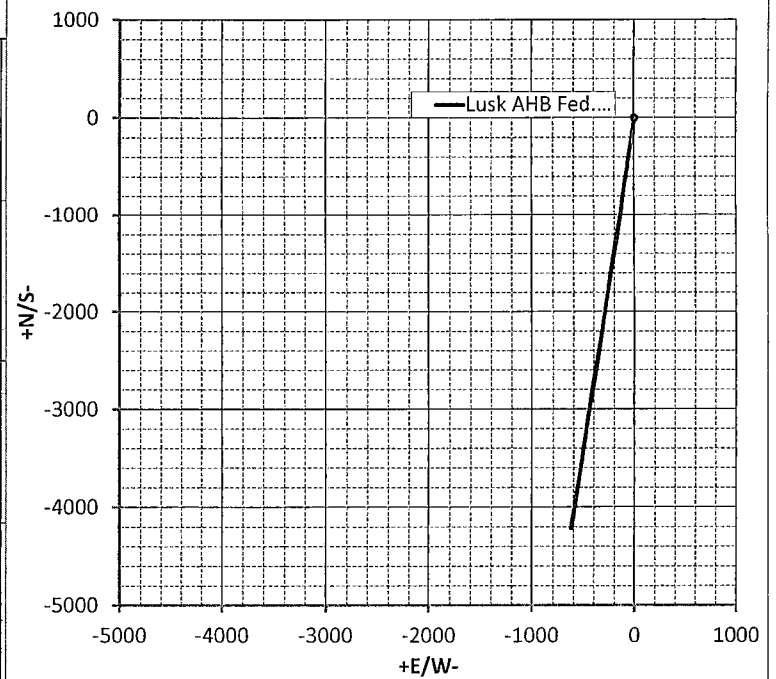
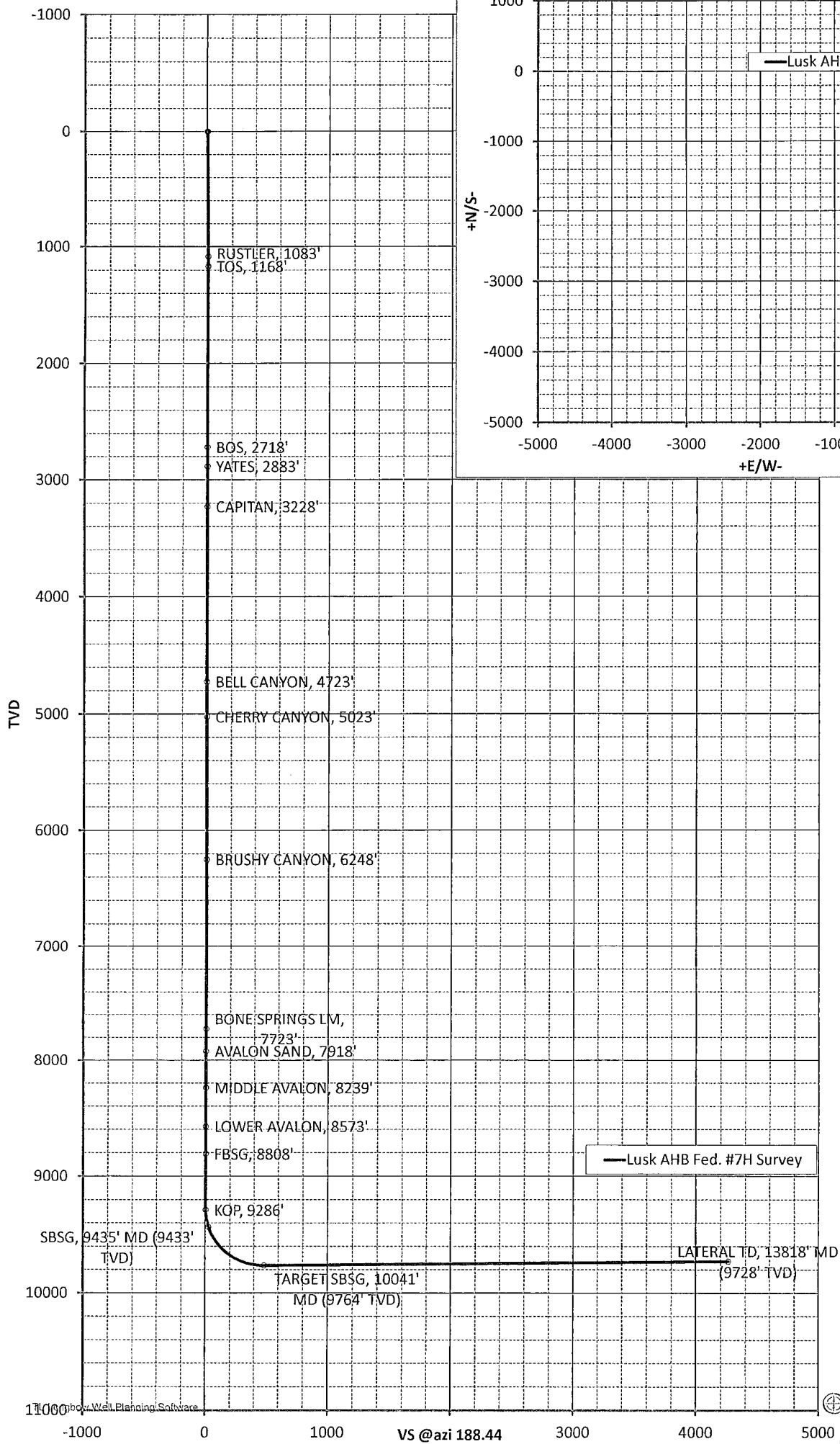
Plans are to drill this well as soon as possible after receiving approval. It should take approximately 60 days to drill the well with completion taking another 15 days.

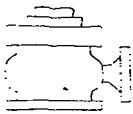
Operator Co.

Your Co.

Survey/Planning Report									
Operator	Yates Petroleum Corp.			Northing			Date	3-Jul-12	
Dir. Co.	Yates Petroleum Corp.			Easting			System	2 - St. Plane	
Well Name	Lusk AHB Fed. #7H Survey			Elevation			Datum	1983 - NAD83	
Location	Sec. 35, 19S-32E			Latitude			Zone	4302 - Utah Central	
Rig				Longitude			Scale Fac.		
Job				Units	Feet		Converg.		
MD	INC	AZI	TVD	+N/S	+E/W	VS@188.44°	BR	TR	DLS
0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1083.00	0.00	360.00	1083.00	0.00	0.00	0.00	0.00	0.00	0.00
1083: RUSTLER, 1083'									
1168.00	0.00	360.00	1168.00	0.00	0.00	0.00	0.00	0.00	0.00
1168: TOS, 1168'									
2718.00	0.00	360.00	2718.00	0.00	0.00	0.00	0.00	0.00	0.00
2718: BOS, 2718'									
2883.00	0.00	360.00	2883.00	0.00	0.00	0.00	0.00	0.00	0.00
2883: YATES, 2883'									
3228.00	0.00	360.00	3228.00	0.00	0.00	0.00	0.00	0.00	0.00
3228: CAPITAN, 3228'									
4723.00	0.00	360.00	4723.00	0.00	0.00	0.00	0.00	0.00	0.00
4723: BELL CANYON, 4723'									
5023.00	0.00	360.00	5023.00	0.00	0.00	0.00	0.00	0.00	0.00
5023: CHERRY CANYON, 5023'									
6248.00	0.00	360.00	6248.00	0.01	0.00	-0.01	0.00	0.00	0.00
6248: BRUSHY CANYON, 6248'									
7723.00	0.00	360.00	7723.00	0.01	0.00	-0.01	0.00	0.00	0.00
7723: BONE SPRINGS LM, 7723'									
7918.00	0.00	360.00	7918.00	0.01	0.00	-0.01	0.00	0.00	0.00
7918: AVALON SAND, 7918'									
8239.00	0.00	360.00	8239.00	0.01	0.00	-0.01	0.00	0.00	0.00
8239: MIDDLE AVALON, 8239'									
8573.00	0.00	360.00	8573.00	0.01	0.00	-0.01	0.00	0.00	0.00
8573: LOWER AVALON, 8573'									
8808.00	0.00	360.00	8808.00	0.01	0.00	-0.01	0.00	0.00	0.00
8808: FBSG, 8808'									
9286.16	0.00	188.44	9286.16	0.01	0.00	-0.01	0.00	2.03	0.00
9286.16: KOP, 9286'									
9300.00	1.66	188.44	9300.00	-0.19	-0.03	0.19	12.00	0.00	12.00
9400.00	13.66	188.44	9398.92	-13.35	-1.98	13.50	12.00	0.00	12.00
9435.42	17.91	188.44	9433.00	-22.88	-3.40	23.13	12.00	0.00	12.00
9435.42: SBSG, 9435' MD (9433' TVD)									
9500.00	25.66	188.44	9492.92	-46.57	-6.91	47.08	12.00	0.00	12.00
9600.00	37.66	188.44	9577.88	-98.40	-14.60	99.48	12.00	0.00	12.00
9700.00	49.66	188.44	9650.09	-166.57	-24.71	168.39	12.00	0.00	12.00
9800.00	61.66	188.44	9706.40	-248.10	-36.80	250.81	12.00	0.00	12.00
9900.00	73.66	188.44	9744.34	-339.42	-50.35	343.14	12.00	0.00	12.00
10000.00	85.66	188.44	9762.25	-436.56	-64.76	441.34	12.00	0.00	12.00
10040.66	90.54	188.44	9763.60	-476.74	-70.72	481.96	12.00	0.00	12.00
10040.66: TARGET SBSG, 10041' MD (9764' TVD)									
13818.30	90.54	188.44	9728.01	-4213.32	-624.99	4259.42	0.00	0.00	0.00
13818.3: LATERAL TD, 13818' MD (9728' TVD)									



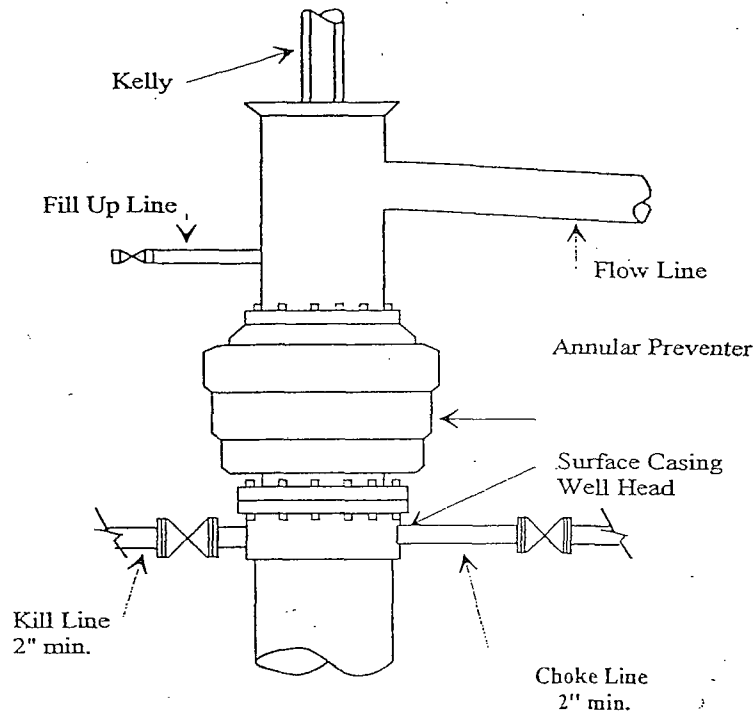




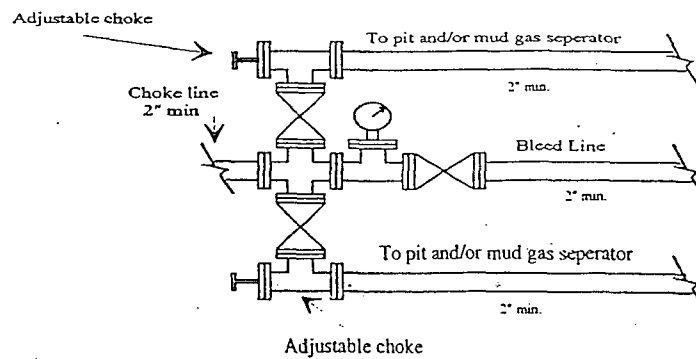
Yates Petroleum Corporation

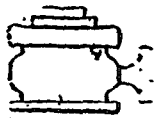
BOP-1

Typical low Pressure System
Schematic
Annular Preventer 2,000 psi



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



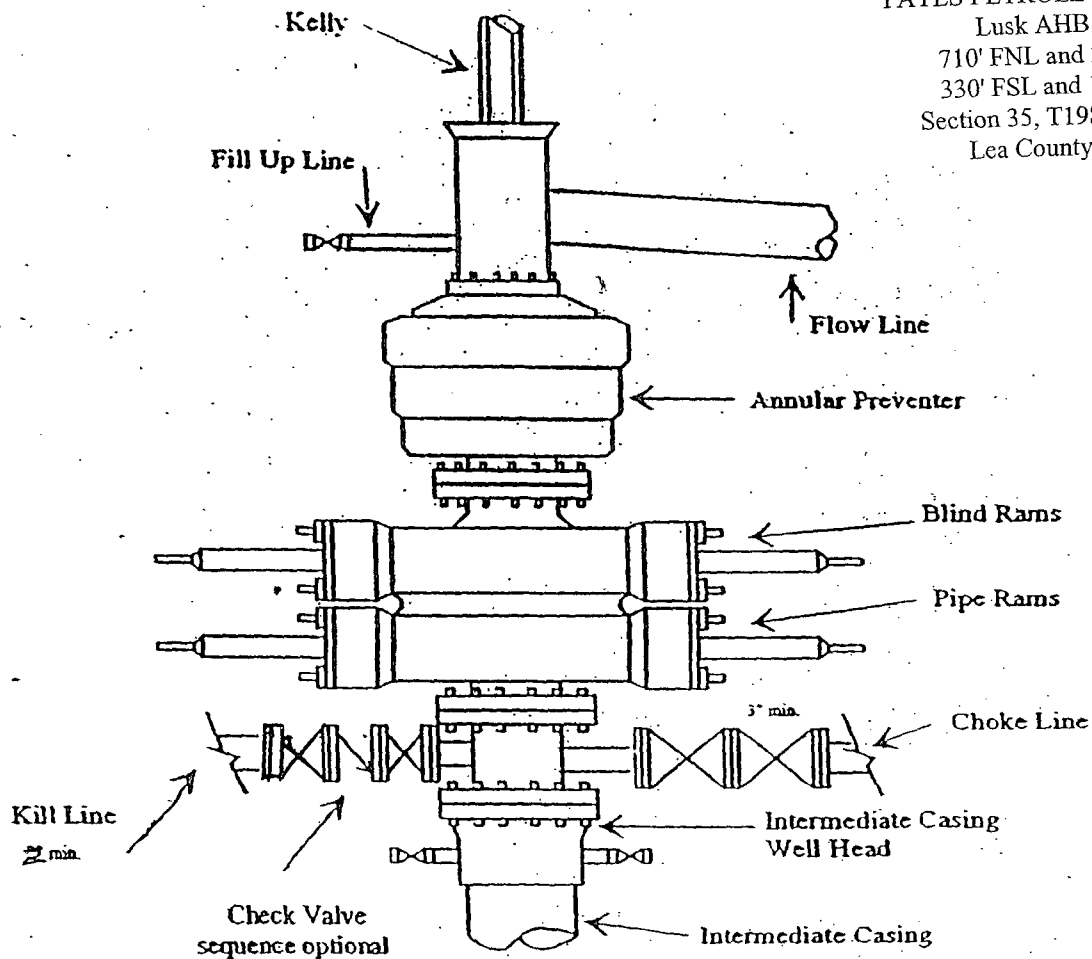


Yates Petroleum Corporation

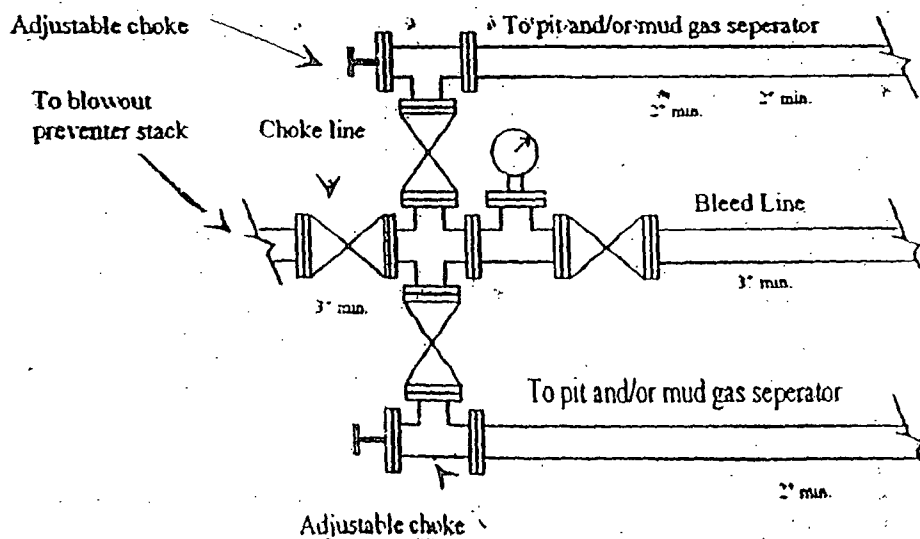
BOP-3

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

YATES PETROLEUM CORPORATION
Lusk AHB Federal #7H
710' FNL and 2410' FWL SHL
330' FSL and 1760' FWL BHL
Section 35, T19S-R32E Exhibit D
Lea County, New Mexico

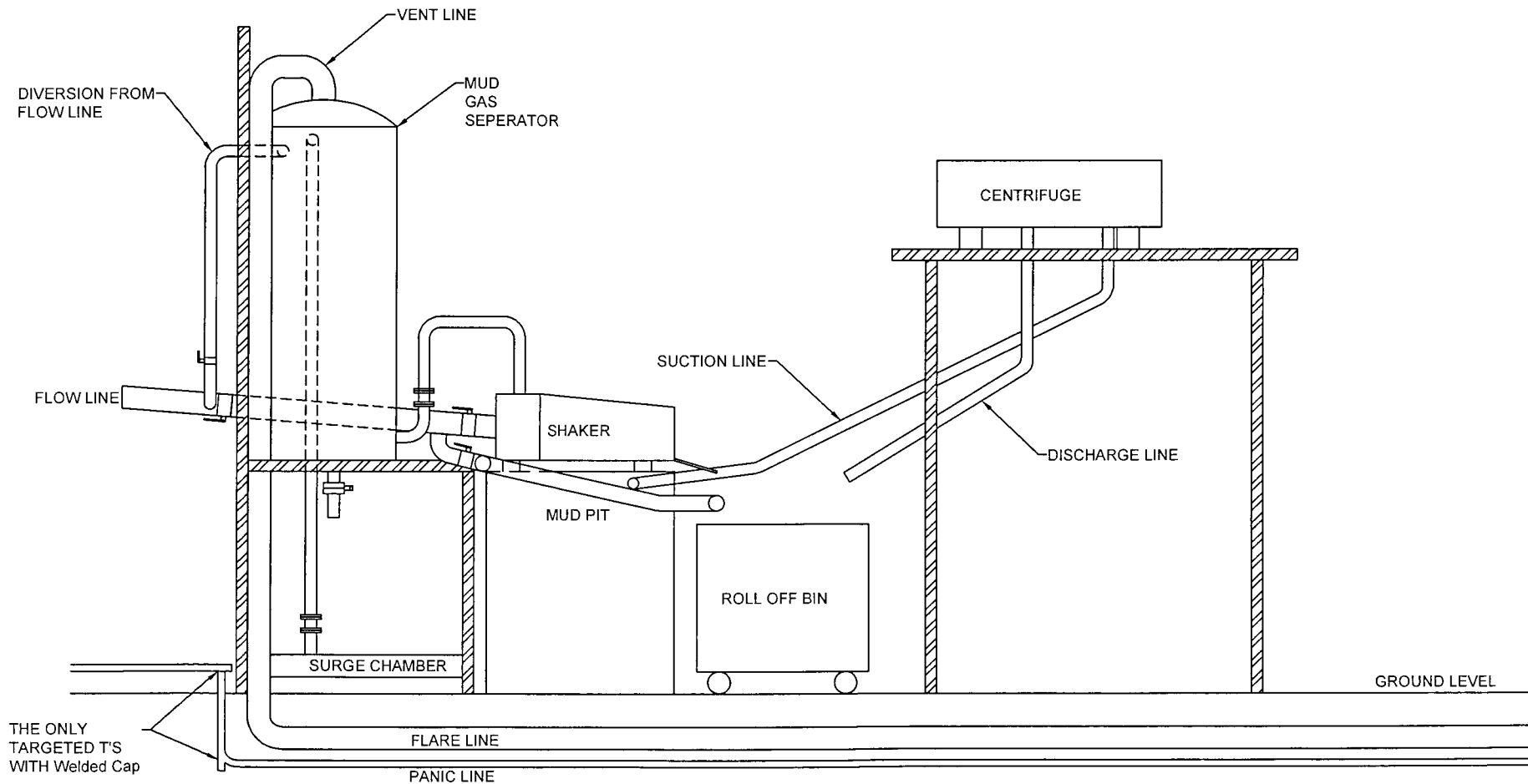


Typical 3,000 psi choke manifold assembly with at least these minimum features

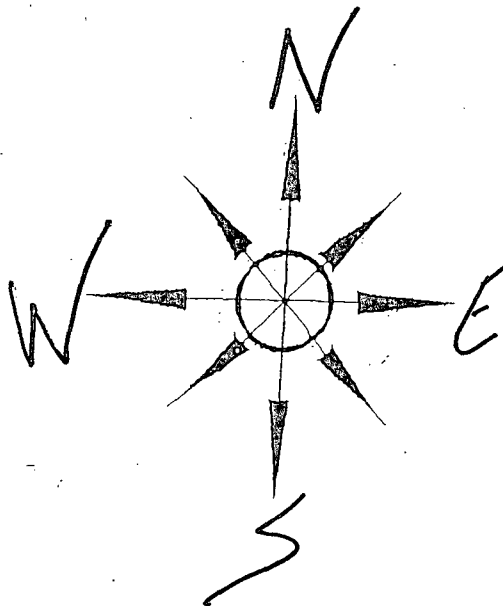


YATES PETROLEUM CORPORATION

Piping from Choke Manifold to the Closed Loop Drilling Mud System



The flare discharge must be 100' from wellhead for non H2S wells and 150' from wellhead for wells expected to encounter H2S.



Yates Petroleum Corporation

Location Layout for Permian Basin

YATES PETROLEUM CORPORATION

Lusk AHB Federal #7H

710' FNL and 2410' FWL SHL

330' FSL and 1760' FWL BHL

Section 35, T19S-R32E Exhibit C

Lea County, New Mexico

Closed Loop Design Plan

* NOT TO SCALE

