

District I  
1625 N. French Dr., Hobbs, NM 88240  
District II  
1301 W. Grand Ave., 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 and Natural Resources  
Oil Conservation Division  
1220 S. St Francis Dr.  
Santa Fe, NM 87505

Form C-101  
Permit 2886

APPLICATION FOR PERMIT TO DRILL

|                                                                                                       |                                        |                            |
|-------------------------------------------------------------------------------------------------------|----------------------------------------|----------------------------|
| Operator Name and Address<br>YATES PETROLEUM CORPORATION<br>105 South Fourth St.<br>Artesia, NM 88210 |                                        | OGRID Number<br>25575      |
|                                                                                                       |                                        | API Number<br>30-005-63704 |
| Property Code<br>34035                                                                                | Property Name<br>KILLER BEE STATE COM. | Well No.<br>007            |

Surface Location

|                |               |                 |              |              |                  |               |                  |               |                  |
|----------------|---------------|-----------------|--------------|--------------|------------------|---------------|------------------|---------------|------------------|
| UL or Lot<br>M | Section<br>32 | Township<br>10S | Range<br>26E | Lot Idn<br>M | Feet From<br>660 | N/S Line<br>S | Feet From<br>660 | E/W Line<br>W | County<br>Chaves |
|----------------|---------------|-----------------|--------------|--------------|------------------|---------------|------------------|---------------|------------------|

Proposed Pools

|                     |
|---------------------|
| Wildcat Precambrian |
|---------------------|

|                       |                        |                                       |                     |                                |
|-----------------------|------------------------|---------------------------------------|---------------------|--------------------------------|
| Work Type<br>New Well | Well Type<br>GAS       | Cable/Rotary                          | Lease Type<br>State | Ground Level Elevation<br>3704 |
| Multiple<br>N         | Proposed Depth<br>5880 | Formation<br>Undesignated Precambrian | Contractor          | Spud Date<br>11/23/2004        |

Proposed Casing and Cement Program

|      |           |             |                  |               |                 |               |
|------|-----------|-------------|------------------|---------------|-----------------|---------------|
| Type | Hole Size | Casing Size | Casing Weight/ft | Setting Depth | Sacks of Cement | Estimated TOC |
| Surf | 14.75     | 11.75       | 42               | 600           | 600             | 0             |
| Int1 | 11        | 8.625       | 24               | 1500          | 400             | 0             |
| Prod | 7.875     | 5.5         | 15.5             | 5880          | 575             | 3600          |

Casing/Cement Program: Additional Comments

Yates Petroleum Corporation proposes to drill/test the Precambrian and intermediate formations. Approximately 600' of surface casing will be set/cemented to shut off gravel and cavings. The 8.625" intermediate casing will only be set if lost circulation is encountered. If commercial, production casing will be run/cemented; will perforate/stimulate as needed for production. MUD PROGRAM: 0-600' - FW Gel/Paper/LCM; 600' - 1500' Fresh Water; 1500'-4050 Brine; 4050' - 5880' Starch/Salt Gel/4-6% KCL. BOPE PROGRAM: A 2000# BOPE will be installed and tested daily.

Proposed Blowout Prevention Program

|            |                  |               |              |
|------------|------------------|---------------|--------------|
| Type       | Working Pressure | Test Pressure | Manufacturer |
| Double Ram | 2000             | 2000          |              |

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

Electronically Signed By: Debbie Caffall

Title: Regulatory Technician

Date: 11/22/2004

Phone: 505-748-4364

OIL CONSERVATION DIVISION

Electronically Approved By: Bryan Arrant

Title: Geologist

Approval Date: 11/22/2004 Expiration Date: 11/22/2005

Conditions of Approval:  
There are conditions. See Attached.