

State of New Mexico
Energy, Minerals and Natural Resources
Oil Conservation Division
1220 S. St Francis Dr.
Santa Fe, NM 87505

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

1. Operator Name and Address YATES PETROLEUM CORPORATION 105 S 4TH ST ARTESIA , NM 88210		2. OGRID Number 25575
		3. API Number 30-025-38403
4. Property Code 31160	5. Property Name MILSAP STATE UNIT	6. Well No. 003

7. Surface Location

UL - Lot	Section	Township	Range	Lot Idn	Feet From	N/S Line	Feet From	E/W Line	County
K	25	12S	33E	K	1878	S	1874	W	LEA

8. Pool Information

HIGHTOWER,DEVONIAN	31160
--------------------	-------

Additional Well Information

9. Work Type New Well	10. Well Type OIL	11. Cable/Rotary	12. Lease Type State	13. Ground Level Elevation 4233
14. Multiple N	15. Proposed Depth 12800	16. Formation Devonian	17. Contractor	18. Spud Date 5/3/2007
Depth to Ground water 70		Distance from nearest fresh water well > 1000		Distance to nearest surface water > 1000
Pit: Liner: Synthetic <input checked="" type="checkbox"/> 12 miles thick Clay <input type="checkbox"/> Pit Volume: 24000 bbls Drilling Method: Closed Loop System <input type="checkbox"/> Fresh Water <input checked="" type="checkbox"/> Brine <input type="checkbox"/> Diesel/Oil-based <input type="checkbox"/> Gas/Air <input type="checkbox"/>				

19. Proposed Casing and Cement Program

Type	Hole Size	Casing Type	Casing Weight/ft	Setting Depth	Sacks of Cement	Estimated TOC
Surf	17.5	13.375	48	400	400	0
Int1	12.25	9.625	40	4200	1400	0
Prod	8.75	7	26	12800	2200	3700

Casing/Cement Program: Additional Comments

Yates Petroleum Corporation proposes to drill and test the Devonian/intermediate formations. Approximately 400' of surface casing will be set and cement circulated. Intermediate casing will be set at 4200', cement circulated to surface. If commercial, production casing will be ran, cemented, perforated and stimulated as needed to gain production.

Proposed Blowout Prevention Program

Type	Working Pressure	Test Pressure	Manufacturer
DoubleRam	5000	5000	

I hereby certify that the information given above is true and complete to the best of my knowledge and belief. I further certify that the drilling pit will be constructed according to NMOCD guidelines <input type="checkbox"/> a general permit <input checked="" type="checkbox"/> or an (attached) alternative OCD-approved plan <input type="checkbox"/> .	OIL CONSERVATION DIVISION	
	Approved By: Paul Kautz	
Printed Name: Electronically filed by Shirley Pruitt	Title: Geologist	
Title:	Approved Date: 5/14/2007	Expiration Date: 5/14/2008
Email Address: shirleyp@ypcnm.com		
Date: 5/10/2007	Phone: 505-748-4356	Conditions of Approval Attached

District I
1625 N. French Dr., Hobbs, NM 88240
Phone:(505) 393-6161 Fax:(505) 393-0720
District II
1301 W. Grand Ave., Artesia, NM 88210
Phone:(505) 748-1283 Fax:(505) 748-9720
District III
1000 Rio Brazos Rd., Aztec, NM 87410
Phone:(505) 334-6178 Fax:(505) 334-6170
District IV
1220 S. St Francis Dr., Santa Fe, NM 87505
Phone:(505) 476-3470 Fax:(505) 476-3462

State of New Mexico
Energy, Minerals and Natural Resources
Oil Conservation Division
1220 S. St Francis Dr.
Santa Fe, NM 87505

Form C-102
Permit 52724

WELL LOCATION AND ACREAGE DEDICATION PLAT

1. API Number 30-025-38403	2. Pool Code 31160	3. Pool Name HIGHTOWER,DEVONIAN
4. Property Code 31160	5. Property Name MILSAP STATE UNIT	6. Well No. 003
7. OGRID No. 25575	8. Operator Name YATES PETROLEUM CORPORATION	9. Elevation 4233

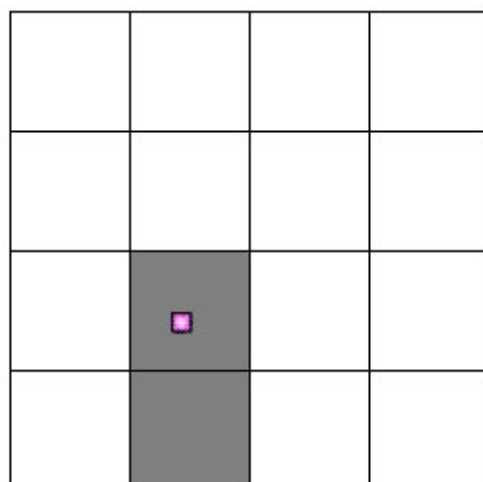
10. Surface Location

UL - Lot K	Section 25	Township 12S	Range 33E	Lot Idn	Feet From 1878	N/S Line S	Feet From 1874	E/W Line W	County LEA
---------------	---------------	-----------------	--------------	---------	-------------------	---------------	-------------------	---------------	---------------

11. Bottom Hole Location If Different From Surface

UL - Lot	Section	Township	Range	Lot Idn	Feet From	N/S Line	Feet From	E/W Line	County
12. Dedicated Acres 80.00	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



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(s) 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.

E-Signed By: Shirley Pruitt

Title:

Date: 5/10/2007

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.

Surveyed By: Herschel Jones

Date of Survey: 5/7/2007

Certificate Number: 3640

Permit Comments

Operator: YATES PETROLEUM CORPORATION , 25575

Well: MILSAP STATE UNIT #003

API: 30-025-38403

Created By	Comment	Comment Date
SPRUITT	MUD PROGRAM: 0-400' FW Gel; 400'-1885' FW; 1885'-4200' Red Bed Mud/Oil; 4200'-7550' Cut Brine; 7550'-11390' SGel/Oil; 11390-TD SW/Starch/4-6% KCL.	5/2/2007
SPRUITT	BOPE PROGRAM: A 5000# BOPE will be installed on the 9.625" casing and tested daily for operational.	5/2/2007
SPRUITT	Sources at Yates Petroleum Corporation have relayed information to me that they believe there will not be sufficient H2S found from the surface to the Devonian formation to meet the OCD's minimum requirements for the submission of a contingency plan per Rule 118.	5/2/2007

Permit Conditions of Approval

Operator: YATES PETROLEUM CORPORATION , 25575

Well: MILSAP STATE UNIT #003

API: 30-025-38403

OCD Reviewer	Condition
DMULL	Need corrections. This well is less then a mile from the Hightower;Devonian. Pool code 31160. Special pool rules are 80 acres and well to be located with in 150' or the center of the 4/4.
DMULL	Also placing in the Hightower;Devonian makes this well location a Non-standard location.
DMULL	Pit construction and closure must satisfy all requirements of your approved plan, O.C.D. Rule 19.15.2.50, and the Pit and Below-Grade Tank Guidelines
DMULL	Corrections made to Hightower Devonian, Pool Code 31160. Yates moved location to make it a standard location.
pkautz	Pit construction and closure must satisfy all requirements of your approved plan, O.C.D. Rule 19.15.2.50, and the Pit and Below-Grade Tank Guidelines