

SECRETARY'S POTASH

ATS-11-919

Form 3160-3
(August 2007)

UNITED STATES DEPARTMENT OF THE INTERIOR BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

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

RECEIVED
HOBBS
FEB 06 2013

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 checked="" 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		8. Lease Name and Well No. Lusk AHB Federal #10H <12527>
3b. Phone No. (include area code) 575-748-4120		9. API Well No. 30025-40990
4. Location of Well (Report location clearly and in accordance with any State requirements.)* At surface 150' FNL & 660' FWL At proposed prod. zone 330' FSL & 660' FWL		10. Field and Pool, or Exploratory Undesignated 2nd Bone Spring East <4144>
14. Distance in miles and direction from nearest town or post office* Approximately 37 miles from Carlsbad		11. Sec., T. R. M. or Blk. and Survey or Area Section 35, T19S-32E
15. Distance from proposed* location to nearest property or lease line, ft. 150' (Also to nearest drig. unit line, if any)	16. No. of acres in lease 636.08	17. Spacing Unit dedicated to this well W2W2, 160 acres
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 1800'	19. Proposed Depth 10000' TVD (Pilot Hole) 14278' MD	20. BLM/BIA Bond No. on file NATIONWIDE BOND #NMB000434
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3574' GL	22. Approximate date work will start* 01/17/2012	23. Estimated duration 30 days

24. Attachments

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

- | | |
|--|---|
| 1. Well plat certified by a registered surveyor. | 4. Bond to cover the operations unless covered by an 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 must be filed with the appropriate Forest Service Office). | 6. Such other site specific information and/or plans as may be required by the BLM. |

25. Signature	Name (Printed/Typed) Travis Hahn	Date 07/17/2012
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Title
Land Regulatory Agent

Approved by (Signature)	Name (Printed/Typed)	Date
		JAN 29 2013
Title	Office	
STATE DIRECTOR	NM STATE OFFICE	

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

Ka
02/11/13

Approval Subject to General Requirements
& Special Stipulations Attached

SEE ATTACHED FOR
CONDITIONS OF APPROVAL

dm

YATES PETROLEUM CORPORATION
Lusk AIB Federal #10H
150' FNL & 660' FWL Surface Hole Location
330' FSL and 660' FWL Bottom Hole Location
Section, 35-T19S-R32-E
Lea County, New Mexico

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

Rustler	1071'	Avalon Sand	7861' Oil Pay
Top of Salt	1156'	Middle Avalon	8182'
Base of Salt	2681'	Lower Avalon	8516'
Yates	2901' Oil Pay	1 st Bone Spring Sand	8751' Oil Pay
Capitan Reef	3211'	2 nd Bone Spring Sand	9371' Oil Pay
Bell Canyon	4701' Oil Pay	2 nd Bone Spring Target	9706' Oil Pay
Cherry Canyon	4986' Oil Pay	Base 2 nd B.S. Sand	9811 Oil Pay
Brushy Canyon	6181' Oil Pay	TD	14278' Oil Pay
Bone Spring Lime	7666' Oil Pay		

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

Water: Approx 250' - 350'
Oil or Gas: All Potential Zones

3. Pressure Control Equipment: 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. *See COA - Low pressure test*

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)

Hole Size	Casing Size	Wt./Ft	Grade	Coupling	Interval	Length
26"	20"	106.5#	J-55	ST&C	0-80'	80'
26"	20"	94#	J-55	ST&C	80-900'	820'
26"	20"	106.5#	J-55	ST&C	900'-1145'	200'
17 1/2"	13 3/8"	61#	HCK-55	ST&C	0-80'	80'
17 1/2"	13 3/8"	54.50#	J-55	ST&C	80'-1800'	1720'
17 1/2"	13 3/8"	61#	HCK-55	ST&C	1800'-2850'	1050'
12 1/4"	9 5/8"	40#	HCK-55	LT&C	0-80'	80'
12 1/4"	9 5/8"	36#	K-55	LT&C	80'-3500'	3420'
12 1/4"	9 5/8"	40#	HCK-55	LT&C	3500'-4800'	1300'
8 3/4"	5 1/2"	17#	P-110	LT&C	0-9220'	9220'
8 1/2"	5 1/2"	17#	P-110 Buttress	LT&C	9220'-14278'	5058'

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

See COA

Pilot hole will be drilled to 10000'. A 200' isolation plug will be placed from 10000' to 9800' cemented with 100 sacks of Class 'H' (Wt 17.5 Yld 0.94) excess of 10%. Additives being fresh water 3.352 gal/sk, Dispersant 0.30 gal/sk, Retarder Acc 0.070 gal/sk, Antifoam 0.020 gal/sk. A 600' kick off plug will be placed from approx. 9500' to 8900' and cemented with 360 sacks of Class 'H' (Wt 17.5 Yld 0.94) excess 35%. Additives being fresh water 3.352 gal/sk, Dispersant 0.30 gal/sk, Retarder Acc 0.060 gal/sk, Antifoam 0.020 gal/sk. Well will then be kicked off at 9229' and directionally drilled at 12 degrees per 100' with an 8 3/4" hole to 9979' MD (9706 TVD). Hole will then be reduced to 8 1/2" and drilled to 14278' MD (9706 TVD) where 5 1/2" casing will be set and cemented. A DV tool will be set at approx. 7000'. Penetration point of the producing zone will be encountered at 627' FNL and 663' FWL of Section 35, T19S-R32E. Deepest TVD in the Pilot hole will be 10000'.

B. CEMENTING PROGRAM:

Surface casing: 1520 sx 35:65:6 PzC (Wt. 12.50 Yld 2.0) Tail in w/200 sx "C" +2% CaCl₂ (Wt 14.80 Yld 1.34). 100% excess. TOC-Surface.

Intermediate Casing I: (0-2850') 1840 sx 35:65:6 PzC (Wt 12.50 Yld 2.00); Tail in w/200 sx "C" +2% CaCl₂ (Wt 14.80 Yld 1.34). 100% excess. TOC Surface.

Intermediate Casing 2

Stage 2: (0-3150') Lead with 845 sx 35:65:6PzC (Wt 12.50 Yld 2.00). Tail in with 200 sx Class 'C' +2% CaCl₂ (Wt 14.80 Yld 1.34). 100% excess. TOC Surface.

Stage 1: (3150'-4800')

Lead in with 375 sx 35:65:6PzC (Wt 12.50 Yld 2.00). Tail in w/200 sx Class 'C' + 2% CaCl₂ (Wt 14.80 Yld 1.34). 100% excess. TOC 3150'.

Production Casing will be cemented using a DV Tool at 7000'.

Stage 2: (3800'-7000')

Lead with 545 sx 35:65:6PzC (Wt 12.50 Yld 2.00). Tail in with 200 sx Pecos VILt (Wt 13.00 Yld 1.41). With additives including 30% CaCO₂, 3.2% Expansion Additive, 2% Antifoam, .8% Retarder, 15% Fluid Loss. 35% excess. TOC 3800'.

Stage 1: (7000'-14278')

Lead with 495 sx 35:65:6PzC (Wt 12.50 Yld 2.00). Tail in with 1060 sx of Pecos VLt (Wt 13.00 Yld 1.41) With additives including 30% CaCO₂, 3.2% Expansion Additive, 2% Antifoam, .8% Retarder, 15% Fluid Loss. 35% excess. TOC 7000'.

5. Mud Program and Auxiliary Equipment:

Interval	Type	Weight	Viscosity	Fluid Loss
0-1100' 1145	Fresh Water	8.6-9.2	32-34	N/C
1100'-2850'	Brine	10.00	28-29	N/C
2850'-4800'	Fresh Water	8.6-9.2	28-32	N/C
4800'-10000'	Cut Brine	8.8-9.2	30-34	N/C
9229'-14278'	Cut Brine	8.8-9.2	30-34	<10cc

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'. 10' samples 4800' to TD.
Logging: GR Neutron 30 degrees dev to surface.
Density 30 degrees dev to intermediate casing.
Laterlog 30 degrees dev to intermediate casing.
CMR 30 degrees dev to intermediate casing.
Schlumberger Tools Platform /HRLA/CMR
Coring: None.
DST's: None.

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

Anticipated BHP:

From: 0	TO: 1100'	Anticipated Max. BHP:	526	PSI
From: 1100'	TO: 2850'	Anticipated Max. BHP:	1512	PSI
From: 2850'	TO: 4800'	Anticipated Max. BHP:	2296	PSI
From: 4800'	TO: 9706'	Anticipated Max. BHP:	4643	PSI

No abnormal pressures or temperatures are anticipated.

Lost Circulation Zones Anticipated: None.

H2S Zones Anticipated: None

8. ANTICIPATED STARTING DATE:

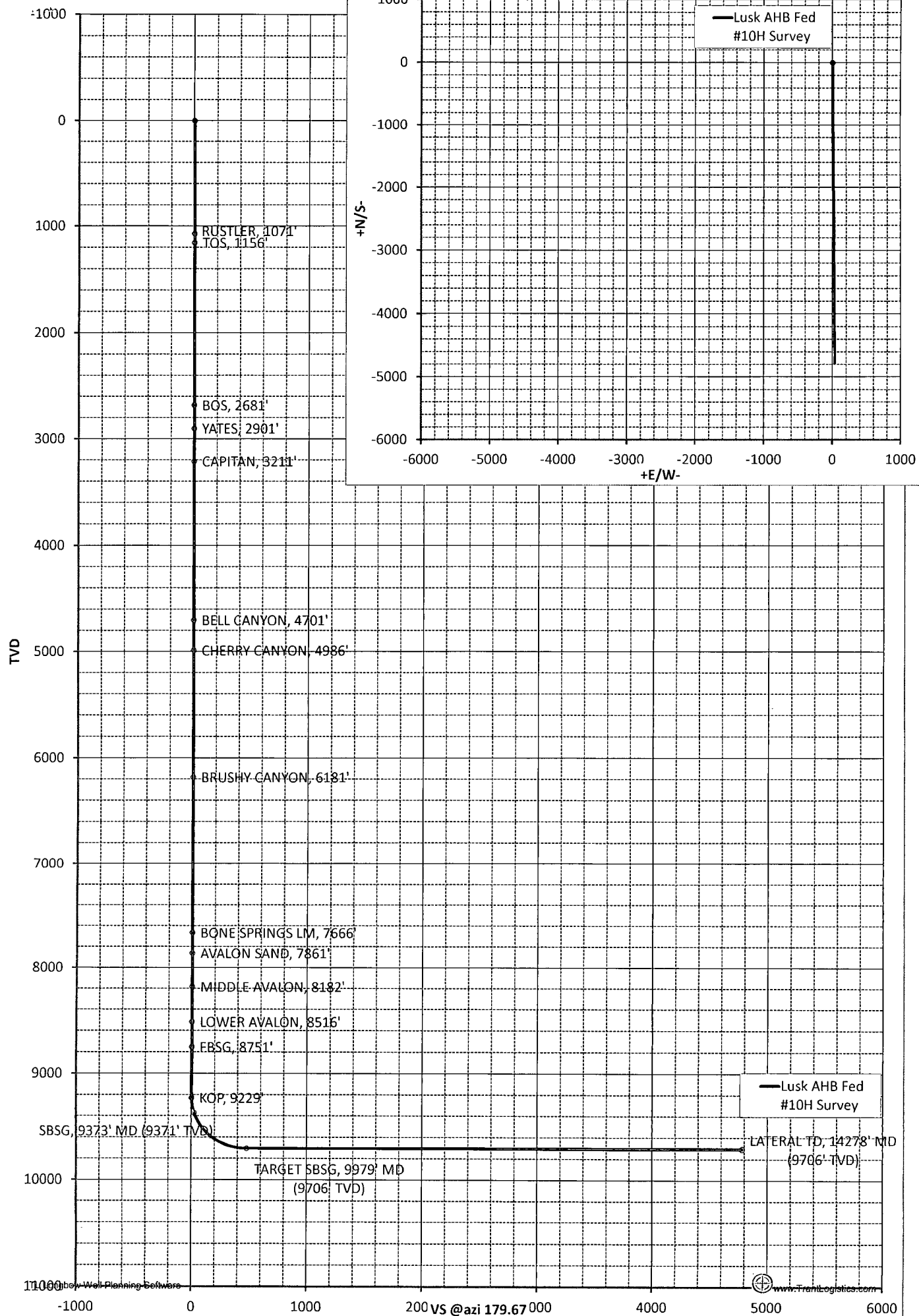
Plans are to drill this well as soon as possible after receiving approval. It should take approximately 45 days to drill the well with completion taking another 15 days.

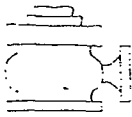
Operator Co.

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 #10H 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@179.67°	BR	TR	DLS
0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1071.00	0.00	0.00	1071.00	0.00	0.00	0.00	0.00	0.00	0.00
1071: RUSTLER, 1071'									
1156.00	0.00	0.00	1156.00	0.00	0.00	0.00	0.00	0.00	0.00
1156: TOS, 1156'									
2681.00	0.00	0.00	2681.00	0.00	0.00	0.00	0.00	0.00	0.00
2681: BOS, 2681'									
2901.00	0.00	0.00	2901.00	0.00	0.00	0.00	0.00	0.00	0.00
2901: YATES, 2901'									
3211.00	0.00	0.00	3211.00	0.00	0.00	0.00	0.00	0.00	0.00
3211: CAPITAN, 3211'									
4701.00	0.00	0.00	4701.00	0.00	0.00	0.00	0.00	0.00	0.00
4701: BELL CANYON, 4701'									
4986.00	0.00	0.00	4986.00	0.00	0.00	0.00	0.00	0.00	0.00
4986: CHERRY CANYON, 4986'									
6181.00	0.00	0.00	6181.00	0.01	0.00	-0.01	0.00	0.00	0.00
6181: BRUSHY CANYON, 6181'									
7666.00	0.00	0.00	7666.00	0.01	0.00	-0.01	0.00	0.00	0.00
7666: BONE SPRINGS LM, 7666'									
7861.00	0.00	0.00	7861.00	0.01	0.00	-0.01	0.00	0.00	0.00
7861: AVALON SAND, 7861'									
8182.00	0.00	0.00	8182.00	0.01	0.00	-0.01	0.00	0.00	0.00
8182: MIDDLE AVALON, 8182'									
8516.00	0.00	0.00	8516.00	0.01	0.00	-0.01	0.00	0.00	0.00
8516: LOWER AVALON, 8516'									
8751.00	0.00	0.00	8751.00	0.01	0.00	-0.01	0.00	0.00	0.00
8751: FBSG, 8751'									
9228.54	0.00	179.67	9228.54	0.01	0.00	-0.01	0.00	1.95	0.00
9228.54: KOP, 9229'									
9300.00	8.58	179.67	9299.73	-5.33	0.03	5.33	12.00	0.00	12.00
9373.21	17.36	179.67	9371.00	-21.74	0.13	21.74	12.00	0.00	12.00
9373.21: SBSG, 9373' MD (9371' TVD)									
9400.00	20.58	179.67	9396.34	-30.45	0.18	30.45	12.00	0.00	12.00
9500.00	32.58	179.67	9485.61	-75.10	0.44	75.10	12.00	0.00	12.00
9600.00	44.58	179.67	9563.65	-137.34	0.80	137.34	12.00	0.00	12.00
9700.00	56.58	179.67	9627.04	-214.45	1.25	214.45	12.00	0.00	12.00
9800.00	68.58	179.67	9673.01	-303.04	1.77	303.05	12.00	0.00	12.00
9900.00	80.58	179.67	9699.56	-399.26	2.33	399.27	12.00	0.00	12.00
9978.53	90.00	179.67	9706.00	-477.45	2.79	477.46	12.00	0.00	12.00
9978.53: TARGET SBSG, 9979' MD (9706' TVD)									
14278.21	90.00	179.67	9706.01	-4777.05	27.91	4777.13	0.00	0.00	0.00
14278.21: LATERAL TD, 14278' MD (9706' TVD)									



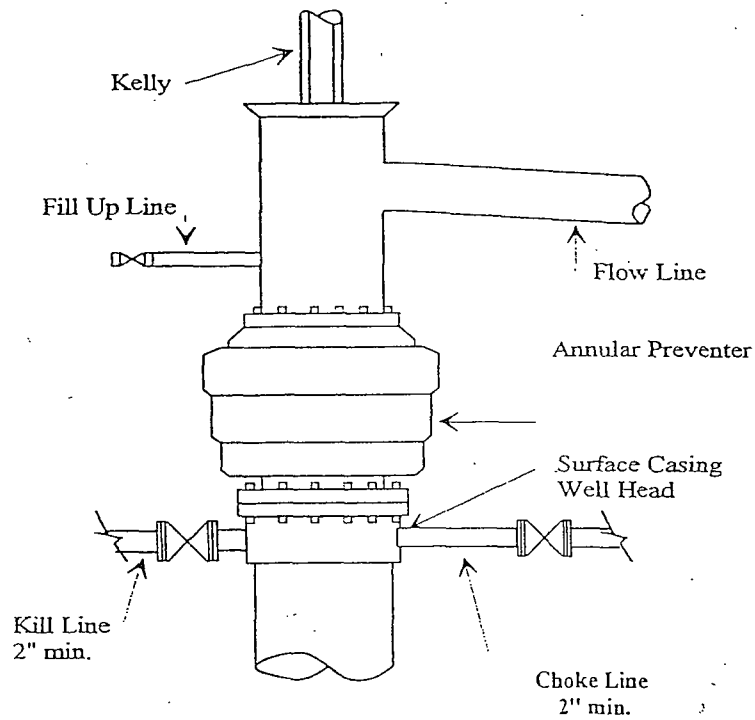




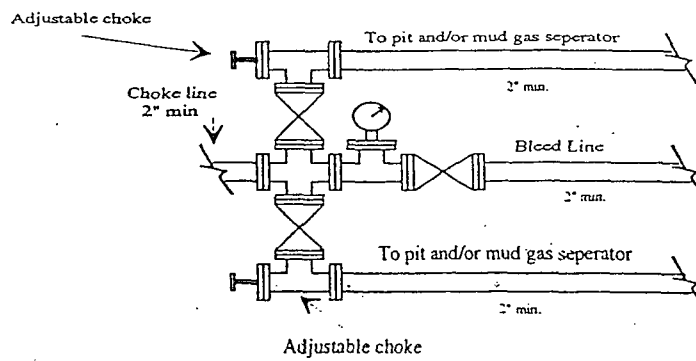
Yates Petroleum Corporation

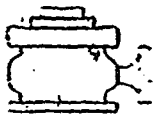
BOP-1

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

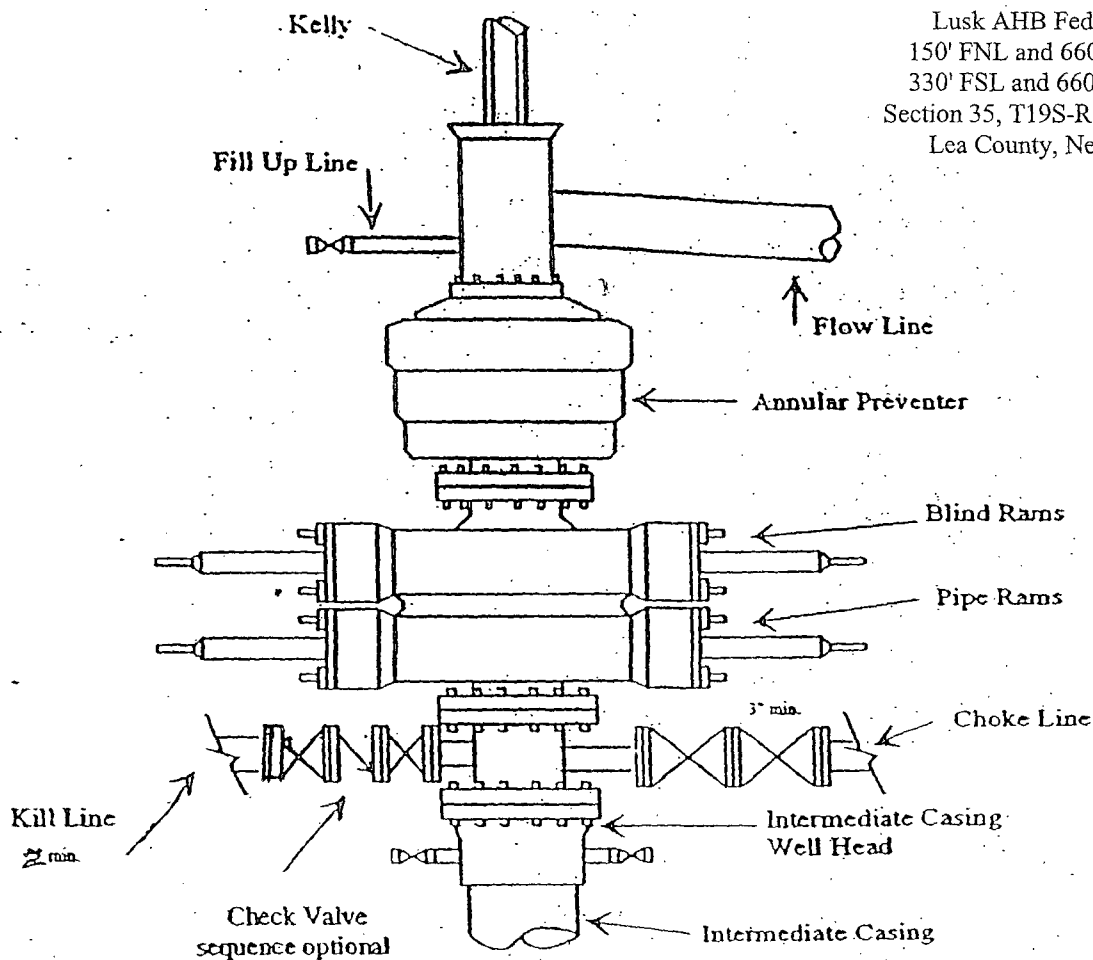
Lusk AHB Federal #10H

150' FNL and 660' FWL SHL

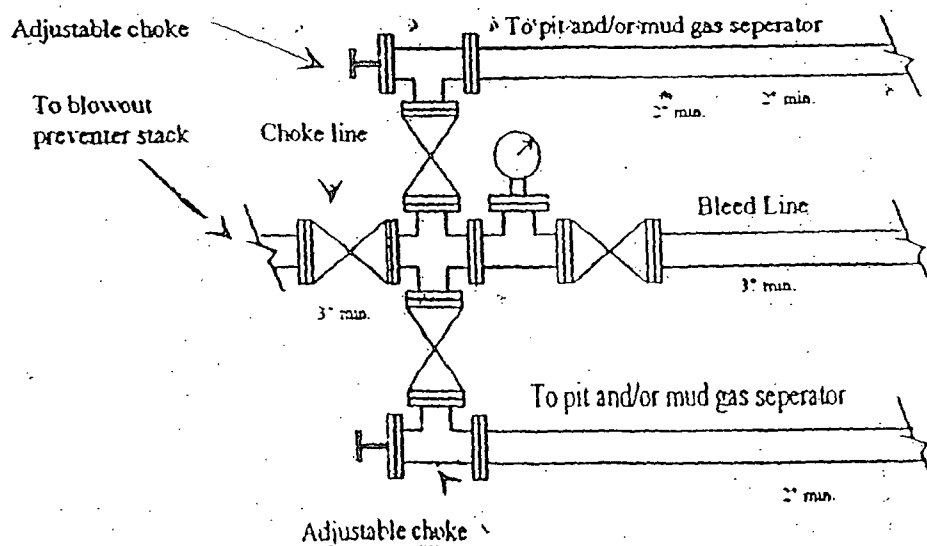
330' FSL and 660' FWL BHL

Section 35, T19S-R32E Exhibit F

Lea County, New Mexico

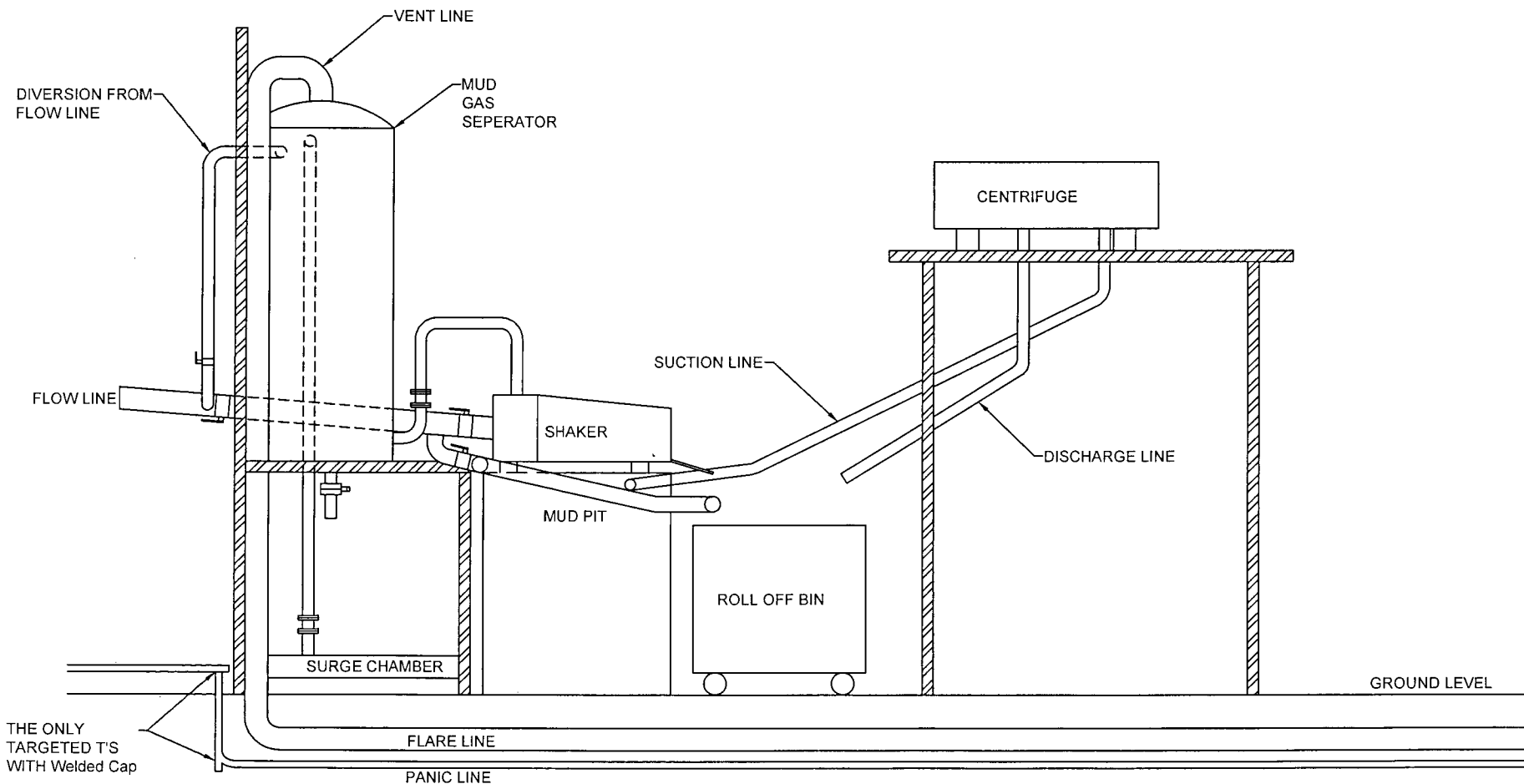


Typical 3,000 psi choke manifold assembly with at least these minimum features



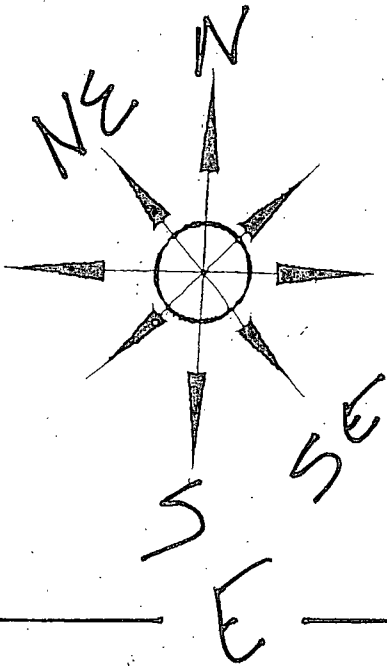
YATES PETROLEUM CORPORATION

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
Lusk AHB Federal #10H
150' FNL and 660' FWL SHL
330' FSL and 660' FWL BHL
Section 35, T19S-R32E Exhibit D
Lea County, New Mexico



Yates Petroleum Corporation
Location Layout for Permian Basin

V-Door Northeast

Closed Loop Design Plan

* NOT TO SCALE

