

District I
1625 N. French Dr., Hobbs, NM 88240
Phone:(575) 393-8161 Fax:(575) 393-0720
District II
811 S. First St., Artesia, NM 88210
Phone:(575) 748-1283 Fax:(575) 748-9720
District III
1000 Rio Brazos Rd., Aztec, NM 87410
Phone:(505) 334-8178 Fax:(505) 334-8170
District IV
1220 S. St Francis Dr., Santa Fe, NM 87505
Phone:(505) 476-3470 Fax:(505) 476-3482

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

Form C-101
August 1, 2011
Permit 217952

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 |
| 4. Property Code 37344 | | 3. API Number 30-015-43672 |
| 5. Property Name HUMIDOR BML STATE COM | | 6. Well No. 001H |

7. Surface Location

| | | | | | | | | | |
|----------|---------|----------|-------|---------|-----------|----------|-----------|----------|--------|
| UL - Lot | Section | Township | Range | Lot Idn | Feet From | N/S Line | Feet From | E/W Line | County |
| L | 23 | 24S | 27E | L | 2547 | S | 400 | W | Eddy |

8. Proposed Bottom Hole Location

| | | | | | | | | | |
|----------|---------|----------|-------|---------|-----------|----------|-----------|----------|--------|
| UL - Lot | Section | Township | Range | Lot Idn | Feet From | N/S Line | Feet From | E/W Line | County |
| M | 26 | 24S | 27E | M | 330 | S | 660 | W | Eddy |

9. Pool Information

| | |
|------------------------------|-------|
| WILLOW LAKE;BONE SPRING;WEST | 96415 |
|------------------------------|-------|

Additional Well Information

| | | | | |
|---------------------------|-----------------------------|--|-------------------------|------------------------------------|
| 11. Work Type New Well | 12. Well Type OIL | 13. Cable/Rotary | 14. Lease Type State | 15. Ground Level Elevation 3215 |
| 16. Multiple N | 17. Proposed Depth 16329 | 18. Formation 3rd Bone Spring Sand | 19. Contractor | 20. Spud Date |
| Depth to Ground water | | Distance from nearest fresh water well | | Distance to nearest surface water |

☒ We will be using a closed-loop system in lieu of lined pits

21. Proposed Casing and Cement Program

| Type | Hole Size | Casing Size | Casing Weight/ft | Setting Depth | Sacks of Cement | Estimated TOC |
|------|-----------|-------------|------------------|---------------|-----------------|---------------|
| Surf | 17.5 | 13.375 | 48 | 625 | 500 | 0 |
| Int1 | 12.25 | 9.625 | 36 | 2400 | 820 | 0 |
| Prod | 8.75 | 5.5 | 17 | 9402 | 710 | 1900 |
| Prod | 8.5 | 5.5 | 17 | 16329 | 2175 | 8570 |

Casing/Cement Program: Additional Comments

| |
|--|
| |
|--|

22. Proposed Blowout Prevention Program

| Type | Working Pressure | Test Pressure | Manufacturer |
|------------|------------------|---------------|--------------|
| Double Ram | 3000 | 3000 | N/A |
| Double Ram | 5000 | 5000 | |

| | |
|--|--|
| 23. I hereby certify that the information given above is true and complete to the best of my knowledge and belief. I further certify I have complied with 19.15.14.9 (A) NMAC <input checked="" type="checkbox"/> and/or 19.15.14.9 (B) NMAC <input checked="" type="checkbox"/> if applicable. Signature: | OIL CONSERVATION DIVISION |
| Printed Name: Electronically filed by Travis Hahn | Approved By: Randy Dade |
| Title: Land Regulatory Agent | Title: District Supervisor |
| Email Address: thahn@yatespetroleum.com | Approved Date: 3/22/2016 Expiration Date: 3/22/2018 |
| Date: 3/10/2016 Phone: 575-748-4120 | Conditions of Approval Attached |

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Form C-102
August 1, 2011
Permit 217952

WELL LOCATION AND ACREAGE DEDICATION PLAT

| | | |
|-------------------------------|---|--|
| 1. API Number 30-015-43672 | 2. Pool Code 96415 | 3. Pool Name WILLOW LAKE;BONE SPRING;WEST |
| 4. Property Code 37344 | 5. Property Name HUMIDOR BML STATE COM | 6. Well No. 001H |
| 7. OGRID No. 25575 | 8. Operator Name YATES PETROLEUM CORPORATION | 9. Elevation 3215 |

10. Surface Location

| | | | | | | | | | |
|---------------|---------------|-----------------|--------------|--------------|-------------------|---------------|------------------|---------------|----------------|
| UL - Lot L | Section 23 | Township 24S | Range 27E | Lot Idn L | Feet From 2547 | N/S Line S | Feet From 400 | E/W Line W | County Eddy |
|---------------|---------------|-----------------|--------------|--------------|-------------------|---------------|------------------|---------------|----------------|

11. Bottom Hole Location If Different From Surface

| | | | | | | | | | |
|-------------------------------|---------------------|-----------------|------------------------|--------------|------------------|---------------|------------------|---------------|----------------|
| UL - Lot L | Section 26 | Township 24S | Range 27E | Lot Idn L | Feet From 330 | N/S Line S | Feet From 660 | E/W Line W | County Eddy |
| 12. Dedicated Acres 240.00 | 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

| | |
|--|---|
| | <p style="text-align: center;">OPERATOR CERTIFICATION</p> <p><i>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.</i></p> <p>E-Signed By: Travis Hahn Title: Land Regulatory Agent Date: 3/10/2016</p> |
| | <p style="text-align: center;">SURVEYOR CERTIFICATION</p> <p><i>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.</i></p> <p>Surveyed By: Gary Jones Date of Survey: 10/10/2014 Certificate Number: 7977</p> |

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Form APD Comments

Permit 217952

PERMIT COMMENTS

| | |
|---|--------------------------------------|
| Operator Name and Address: YATES PETROLEUM CORPORATION [25575] 105 S 4TH ST ARTESIA , NM 88210 | API Number: 30-015-43672 |
| | Well: HUMIDOR BML STATE COM #001H |

| Created By | Comment | Comment Date |
|------------|--|--------------|
| Cy Cowan | C-102 and proposed drilling plan will be delivered to your office be separate cover. | 3/9/2016 |
| Cy Cowan | C-102 and proposed drilling plan will be delivered to your office be separate cover. | 3/9/2016 |
| Cy Cowan | 10' samples Surface Casing to TD | 3/9/2016 |
| Cy Cowan | Maximum Anticipated BHP: 0-625' 299 PSI 625'-2400' 1273 PSI 2400'-9075' 4341 PSI | 3/9/2016 |
| Cy Cowan | This well will be drilled vertically to 8502'. Well will then be kicked off at approximately 8502' and directionally drilled at 10 degrees per 100' with an 8 3/4" hole to 9402' MD (9075' TVD). Hole size will then be reduced to 8 1/2" and drilled to 16329' MD (9070' TVD) where 5 1/2" casing will be set and cemented 500' into the previous casing string. Penetration point of producing zone will be encountered at 1974' FSL and 423' FWL of Section 23, T24S-R27E. Deepest TVD is 9075' in the lateral. | 3/9/2016 |
| Cy Cowan | Logging: SCH: Platform Express CNL/LDT/NGT-30 Degrees to intermediate casing. CNL/GR-30 Degrees to intermediate casing. CNL/GR-30 Degrees deviation to surface casing. DLL/MSFL-30 Degrees deviation to surface casing. BHC-SONIC-30 Degrees deviation to surface casing. Horizontal-MWD-GR. | 3/9/2016 |
| Cy Cowan | Mud Level Monitoring: After surface casing is set an electronic PVT system will be installed as our primary mud level monitoring system. A secondary system will also be implemented as to insure the PVT system is functioning properly. The secondary system will be comprised of the derrick hand checking the fluid level in the pit. | 3/9/2016 |

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Form APD Conditions

Permit 217852

PERMIT CONDITIONS OF APPROVAL

| | | |
|---|--|--------------------------------------|
| Operator Name and Address: YATES PETROLEUM CORPORATION [25575] 105 S 4TH ST ARTESIA , NM 88210 | | API Number: 30-015-43672 |
| | | Well: HUMIDOR BML STATE COM #001H |
| OCD Reviewer | Condition | |
| kjones | Will require a directional survey with the C-104 | |
| kjones | Once the well is spud, to prevent ground water contamination through whole or partial conduits from the surface, the operator shall drill without interruption through the fresh water zone or zones and shall immediately set in cement the water protection string | |
| kjones | If cement does not circulate to surface, must run temperature survey or other log to determine top of cement. | |