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N.M. Oil Cons. DIV-Dist. 2
1301 W. Grand Avenue
Artesia, NM 88210

Form 3160-3
(August 2008)

NMOC D ARTESIA

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

1a Type of Work ☒ DRILL ☐ REENTER
1b Type of Well: ☐ Oil Well ☒ Gas Well ☐ Other ☐ Single Zone ☐ Multiple Zone
2. Name of Operator

Yates Petroleum Corporation 025575

3a Address 105 South Fourth Street, Artesia, NM 88210
3b Phone No (include area code) 505-748-1471

4 Location of well (Report location clearly and in accordance with any State requirements *)
At surface 330' FNL and 330' FWL Unit D NW/4NW/4
At proposed prod. zone Same

14 Distance in miles and direction from the nearest town or post office*
Approximately 21 miles southeast of Roswell, New Mexico.

15. Distance from proposed* location to nearest property or lease line, ft (Also to nearest drlg. unit line, if any) 330'
16 No. of acres in lease 1448.56
17 Spacing Unit dedicated to this well NW/4NW/4 40 acres

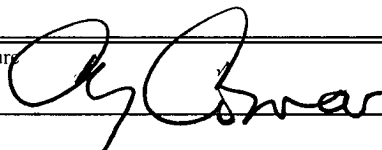
18 Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft .3 of a mile
19. Proposed Depth 5600' ☒
20 BLM/ BIA Bond No. on file NATIONWIDE BOND #NMB000434

21 Elevations (Show whether DF, KDB, RT, GL, etc) 3742' GL ☒
22 Approximate date work will start* As soon as approved.
23. Estimated duration 45days

24 Attachments ROSWELL CONTROLLED WATER BASIN

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No 1 shall 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 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) Cy Cowan Date
Title Land Regulatory Agent

Approved By (Signature) /S/ Angel Mayes Name (Printed/ Typed) Date MAY 17 2011
Title Office ROSWELL FIELD 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 cc operations thereon
Assistant Field Manager,
Lands And Minerals
Conditions of approval, if any, are attached

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and wilfully 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 page 2)

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS AND
SPECIAL STIPULATIONS ATTACHED

CEMENT BEHIND THE 85"
CASING MUST BE CIRCULATED WITNESS

YATES PETROLEUM CORPORATION
Drilling Plan
Grid Iron "BLI" Federal #4
330' FNL and 330' FWL
Section 7-12S-27E
Chaves County, New Mexico

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

Seven Rivers	208'	Tubb	3780' Oil
Queen	586' Oil/Gas	ABO	4552' Oil/Gas
Grayburg	874' Oil	Wolfcamp	5152' Oil
San Andres	1106' Oil	Wolfcamp Lime	5304'
Glorietta	2284'	TD	5600'

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

Water: 160'
Oil or Gas: Zones: 586' Oil/Gas, 874' Oil, 1106' Oil, 3780' Oil & 4552' Oil/Gas, 5152 Oil.

3. Pressure Control Equipment: 3000 PSI BOPE with a 13.625" opening will be installed on the 8 5/8" casing. Pressure tests to 3000 PSI 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 B.
4. 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.
5. THE PROPOSED CASING AND CEMENTING PROGRAM:

A. Casing Program: All new casing to be used

<u>Hole Size</u>	<u>Casing Size</u>	<u>Wt./Ft</u>	<u>Grade</u>	<u>Coupling</u>	<u>Interval</u>	<u>Length</u>
12 1/4"	8 5/8"	24#	J-55	ST&C	0-1200'	1200'
7 7/8"	5 1/2"	17#	L-80	LT&C	0'-5600	5600'

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

B. CEMENTING PROGRAM:

Surface Casing: Cement with 400 sacks C Lite w/CaCl₂ (Yld 2.00 Wt. 12.50). Tail in with 200 sacks C w/2%CaCl₂ (Yld 1.32 Wt.14.80 TOC surface. Designed with 100% excess.

Production Cement: 400 sacks Lite Crete (Yld. 2.92 Wt. 9.80). Tail in with 400 sacks Pecos Valley Lite (Yld. 1.41 Wt. 13.00) Designed with 100% excess.

6. MUD PROGRAM AND AUXILIARY EQUIPMENT:

<u>Interval</u>	<u>Type</u>	<u>Weight</u>	<u>Viscosity</u>	<u>Fluid Loss</u>
0-1200'	Fresh Water Gel	9.30-9.90	32-36	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. Rig personnel will check mud hourly.

7. EVALUATION PROGRAM:

Samples: Every 10' from surface casing to TD
Logging: Platform Express; CNL/LDT/NGT TD to surface casing, CNL/GR TD to surface, DLL-MSFL TD to surface casing, BHC-Sonic TD to surface casing,
Coring: Yes, 2 to 3 full cores at 5125'
DST's: None Anticipated
Mudlogging: Yes

8. ABNORMAL CONDITIONS, BOTTOM HOLE PRESSURE, AND POTENTIAL HAZARDS:

Maximum Anticipated BHP:
0'-1200' 620 PSI
1200'-5600' 2885 PSI

Abnormal Pressures Anticipated: None
Lost Circulation Zones Anticipated: None.
H2S Zones Anticipated: None Anticipated
Maximum Bottom Hole Temperature: 150 F

9. 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 20 days.