

ATS-11-120
11-741

OCD Artesia

Form 3160-3
(February 2005)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
APPLICATION FOR PERMIT TO DRILL OR REENTER

FORM APPROVED
OMB NO. 1004-0137
Expires March 31, 2007

5 Lease Serial No
NM-101582
6 If Indian, Allottee or Tribe Name
N/A
7 If Unit or CA Agreement, Name and No
N/A
8 Lease Name and Well No
Mucho Luck "BBW" Federal Com -2H
9 API Well No
30-015-39348

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)
575-748-1471

4 Location of well (Report location clearly and in accordance with any State requirements *)
At surface
1100' FSL & 330' FEL, Surface Hole
At proposed prod zone
400' FSL & 330' FWL, Bottom Hole

14. Distance in miles and direction from the nearest town or post office*
15 miles East of Artesia, NM

10 Field and Pool, or Exploratory
Empire NW Wolfcamp
11 Sec, T, R, M, or Blk And Survey or Area
Sec. 27-T16S-R27E
12 County or Parish
Eddy
13 State
NM

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 160.00
17. Spacing Unit dedicated to this well S2S2

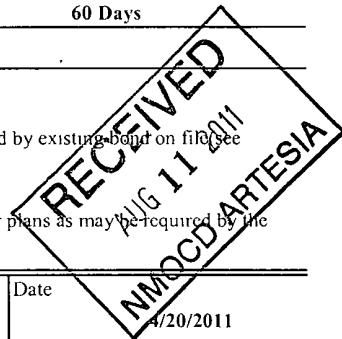
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft 1000'
19 Proposed Depth PH TVD - 6030' 6200' VD & 10496' MD
20 BLM/ BIA Bond No. on file NATIONWIDE BOND #NMB000434

21 Elevations (Show whether DF, KDB, RT, GL, etc) 3456' GL ✓
22 Aproximate date work will start* ASAP
23 Estimated duration 60 Days

24 Attachments

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

- 1 Well plat certified by a registered surveyor
- 2 A Drilling Plan
- 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)
- 4 Bond to cover the operations unless covered by existing bond on file (see item 20 above)
- 5. Operator certification.
- 6 Such other site specific information and/ or plans as may be required by the BLM



25. Signature [Signature] Printed Name Cy Cowen Date 8/20/2011
Title Land Regulatory Agent

Approved By (Signature) /s/ Don Peterson Name (Printed/ Typed) CARLSBAD FIELD OFFICE Date AUG 9 2011
Title FIELD MANAGER

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

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 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)

Roswell Controlled Water Basin

SEE ATTACHED FOR
CONDITIONS OF APPROVAL

Approval Subject to General Requirements
& Special Stipulations Attached

YATES PETROLEUM CORPORATION
 Mucho Luck "BBW" Federal Com. #2H
 1100' FSL and 330' FEL, Section 27-16S-27E, Surface Hole Location
 400' FSL & 330' FWL, Section 27-16S-27E, Bottom Hole Location
 Eddy County, New Mexico

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

Seven Rivers	267'	Abo	4850' Gas
Queen	795' Oil/Gas	Wolfcamp	6060' Oil
San Andres	1405' Oil	TD (Pilot Hole)	6200'
Glorieta	2750'	KOP	5598' 5598' MD
Tubb	4197'	EOC	6075' 6353' MD
		EOL	6030' 10,496' MD

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

Water: 160'
 Oil or Gas: Zones: 795' Oil/Gas, 1405' Oil, 4850' Gas, & 6060' Oil.

3. Pressure Control Equipment: 3000 PSI BOPE with a 13.625" opening will be installed on the 13.375" casing and also on the 9 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>
17 1/2"	13 3/8"	48#	J-55	ST&C	0-425'	425'
12 1/4"	9 5/8"	36#	J-55	ST&C	425-1550'	1125'
8 3/4"	5 1/2"	17#	HCP-110	LT&C	1550'-6200'	4650'
8 3/4"	5 1/2"	17#	HCP-110	LT&C	5598'-6353'	755'
7 7/8"	5 1/2"	17#	HCP-110	LT&C	6353'- 10496'	4143'

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

B. CEMENTING PROGRAM:

Surface Casing: Cement with 170 sacks Class C (Yld 1.34 Wt. 14.80), with 2% CC, .25/PPS Poly-Flake. Tail with 200 sacks Class C (Yld 1.33 Wt. 14.8) with .125 pps polyflake, TOC surface, 100% excess.

Intermediate Casing: Lead with 400 sacks of C Lite (Yld 1.96 Wt 12.9) 5 pps/polyflake, 5% nacl. Tail in with 200 sacks Prem +C (YLD 1.33 WT 14.80) with .1% D13. TOC surface, 100% excess.

Production Casing: Production cement to be done in 1 stages with cementing tool at approx. 5,550'.

Stage 1 from 10496'-6353': packer/port system NO CEMENT in lateral, after inflating packers, follow with cementing.

See COA { Stage 2 from 5550'-1000': lead with 800 sacks 35/65/C (Yld 2.04 Wt. 12.6), .2% Antifoam, 6.0% Extender, .2% LCM, 0.125% LB/sack, .02% Retarder & 5% salt. TOC 7500', tail with 100 sacks C neat with .2% Retarder (Yld 1.33 Wt 14.8) based on 35% excess in lateral & 30% in vertical - TOC at 1,000'. 6200 this applied to prod esq. not pilot hole

Pilot hole will be drilled with an 8 3/4" hole to 6200' and cemented (all cementing will be done with the drilling rig). Well will be logged, plugged back 5450-6050' with 250 sacks class H (17.0 Oppg, Yld 1.0) with .7% Dispersant, .2% Defoamer, .2% Retarder, and will be kicked off at 5598" and drill 12.0 degrees per 100' and landed at 6353' TVD (6075 MD) and drilled laterally to 10496' MD (6030 TVD). Penetration point of producing formation will be encountered at 990' FSL and 807' FEL in Section 27-16S 27E.

Pilot hole plug required from TD not 6050'

6. MUD PROGRAM AND AUXILIARY EQUIPMENT:

Interval	Type	Weight	Viscosity	Fluid Loss
0-425'	Fresh Water	8.60-9.20	32-34	N/C
425'-1550'	Fresh Water	8.60-9.20	32-40	20.0 (if salt go to brine)
1550'-6200'	Cut Brine(Pilot Hole)	8.70-9.20	28-32	15
5598'-6353'	Cut Brine	8.80-9.20	28-32	10-15
6353'-10496'	Cut Brine(Lateral Section)	8.70-9.20	28-28	10-12

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: See COA:

Samples: Every 10' from intermediate casing to TD
 Logging: Platform Express; CNL/LDT/NGT TD to intermediate casing, CNL/GR TD to surface, DLL-MSFL TD to surface casing.
 Coring: None anticipated
 DST's: None Anticipated
 Mudlogging: Yes

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

Maximum Anticipated BHP:
 0'-425' 198 PSI
 400'-1550' 2080 PSI
 1550'-6200' 2900 PSI

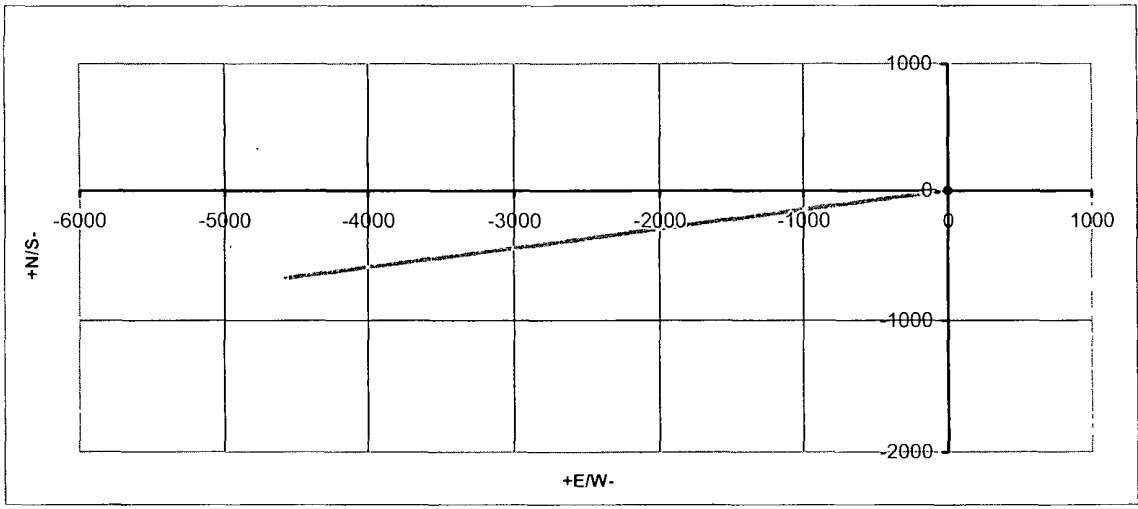
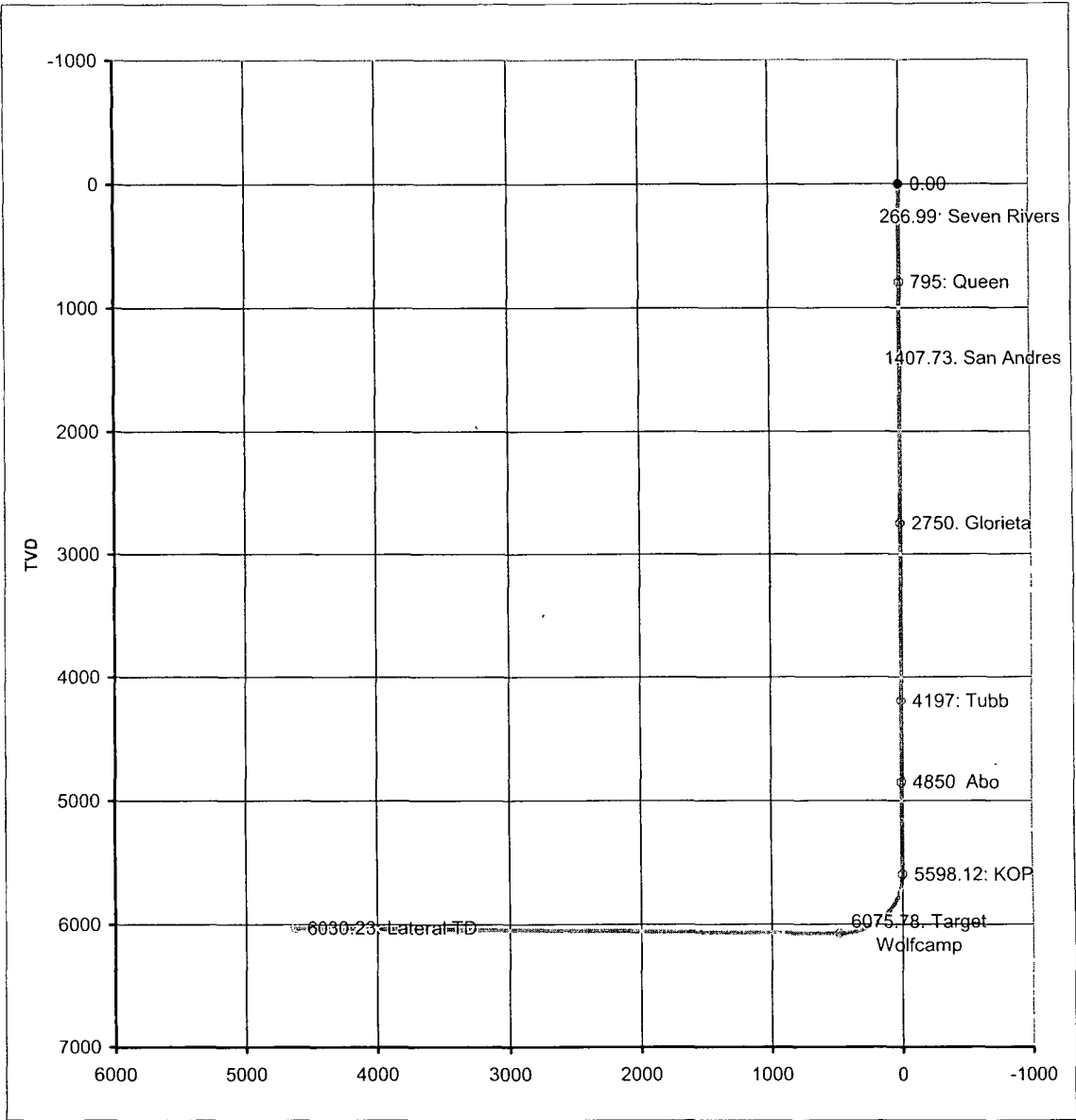
Abnormal Pressures Anticipated: None
 Lost Circulation Zones Anticipated: None.
 H2S Zones Anticipated: None Anticipated
 Maximum Bottom Hole Temperature: 130 F

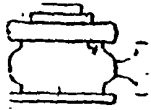
9. ANTICIPATED STARTING DATE:

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.

Co: 0	Units: Feet, °, 7100ft	VS Az: 261.61	Tgt TVD: 6030.00
Drillers: 0	Elevation:	Tgt Radius: 0.00	Tgt MD: 0.00
Well Name: Mucho Luck BPG Federal Com #2H	Northing:	Tgt N/S: -674.84	Tgt Displ.: 0.00
Location: 0	Easting:	Tgt E/W: -4576.13	Method: Minimum Curvature

No.	MD	CL	Inc.	Azi	TVD	VS	+N/S-	+E/W-	BR	WR	DLS	Comments
0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00				
1	266.99	266.99	0.00	0.00	266.99	0.00	0.00	0.00	0.00	0.00	0.00	Seven Rivers
2	795.00	528.01	0.00	0.00	795.00	0.00	0.00	0.00	0.00	0.00	0.00	Queen
3	1407.73	612.73	0.00	0.00	1407.73	0.00	0.00	0.00	0.00	0.00	0.00	San Andres
4	2750.00	1342.27	0.00	0.00	2750.00	0.00	0.00	0.00	0.00	0.00	0.00	Glòrieta
5	4197.00	1447.00	0.00	0.00	4197.00	0.00	0.00	0.00	0.00	0.00	0.00	Tubb
6	4850.00	653.00	0.00	0.00	4850.00	0.00	0.00	0.00	0.00	0.00	0.00	Abo
7	5598.12	748.12	0.00	261.61	5598.12	0.00	0.00	0.00	0.00	34.97	0.00	KOP
8	5600.00	1.88	0.23	261.61	5600.00	0.00	0.00	0.00	11.99	-0.01	11.99	
9	5700.00	100.00	12.22	261.61	5699.23	10.82	-1.57	-10.71	11.99	0.00	11.99	
10	5800.00	100.00	24.21	261.61	5794.05	42.02	-6.13	-41.57	11.99	0.00	11.99	
11	5900.00	100.00	36.20	261.61	5880.31	92.24	-13.45	-91.26	11.99	0.00	11.99	
12	6000.00	100.00	48.20	261.61	5954.25	159.30	-23.23	-157.59	11.99	0.00	11.99	
13	6100.00	100.00	60.19	261.61	6012.65	240.25	-35.05	-237.68	11.99	0.00	11.99	
14	6200.00	100.00	72.18	261.61	6052.95	331.57	-48.37	-328.02	11.99	0.00	11.99	
15	6226.14	26.14	75.32	261.61	6060.27	356.66	-52.03	-352.85	11.99	0.00	11.99	
16	6300.00	73.86	84.21	261.61	6073.38	429.27	-62.62	-424.68	12.03	0.00	12.03	
17	6353.37	53.37	90.63	261.61	6075.78	482.56	-70.40	-477.40	12.03	0.00	12.03	Target
18	10496.53	4143.16	90.63	261.61	6030.23	4625.47	-674.81	-4575.98	0.00	0.00	0.00	Lateral TD



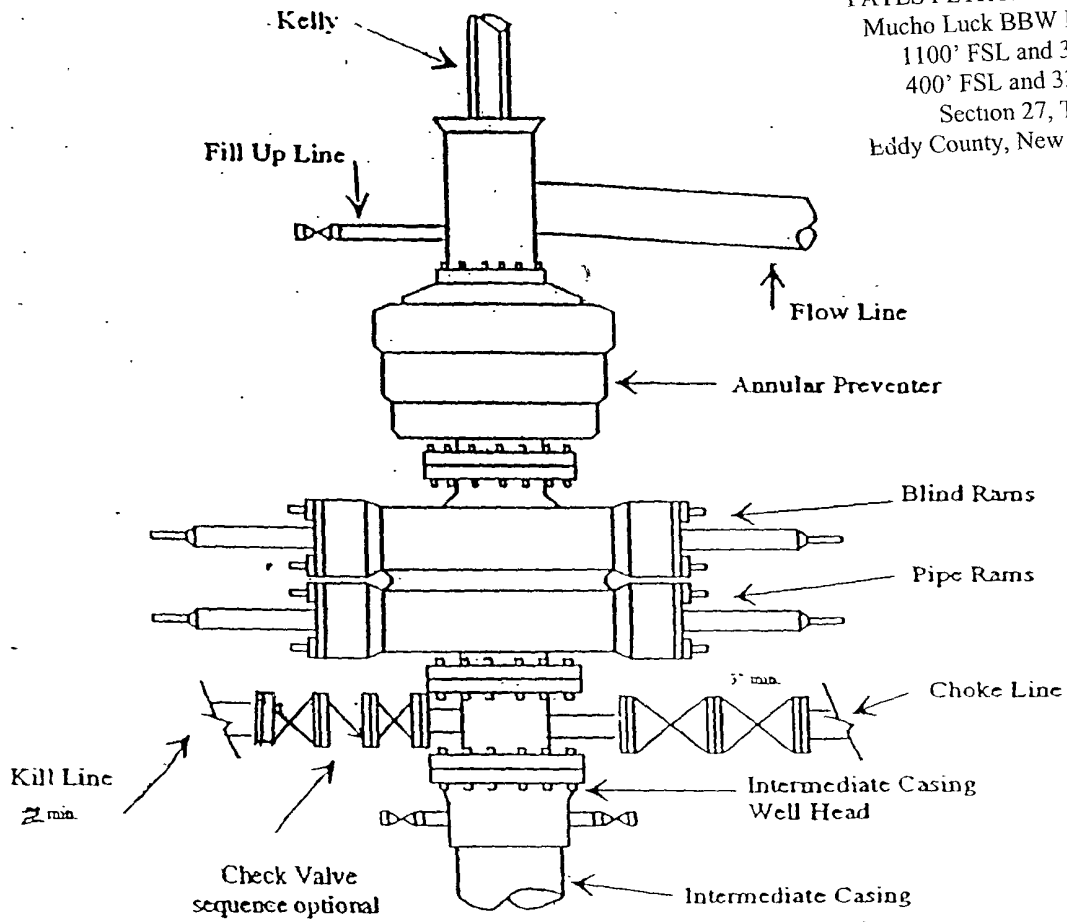


Yates Petroleum Corporation

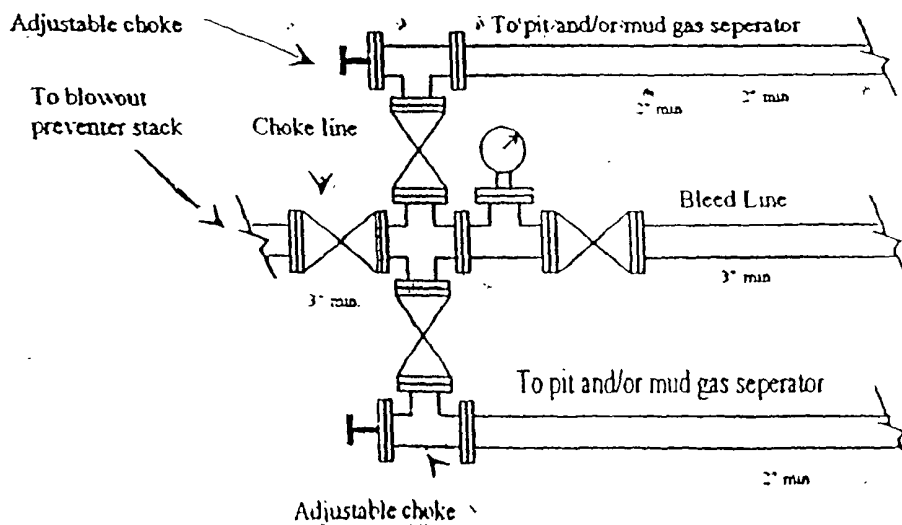
BOP-3

Typical 3,000 psi Pressure System Schematic Annular with Double Ram Preventer Stack

YATES PETROLEUM CORPORATION
Mucho Luck BBW Federal Com. #2H
1100' FSL and 330' FEL SHL
400' FSL and 330' FWL BHL
Section 27, T16S-R27E
Eddy County, New Mexico Exhibit C

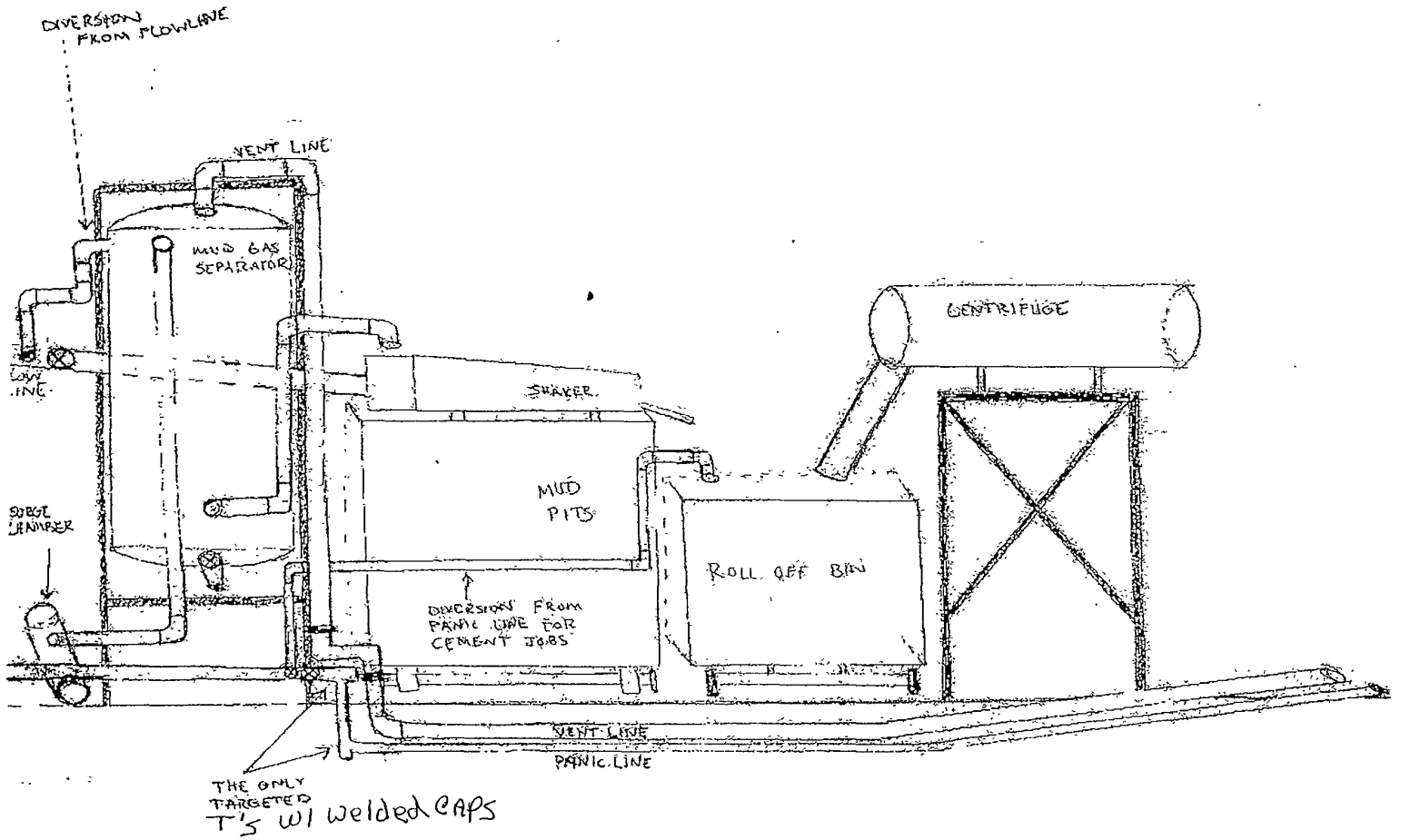


Typical 3,000 psi choke manifold assembly with at least these minimum features



YATES PETROLEUM CORPORATION
Piping from Choke Manifold
to the Closed-Loop Drilling Mud System

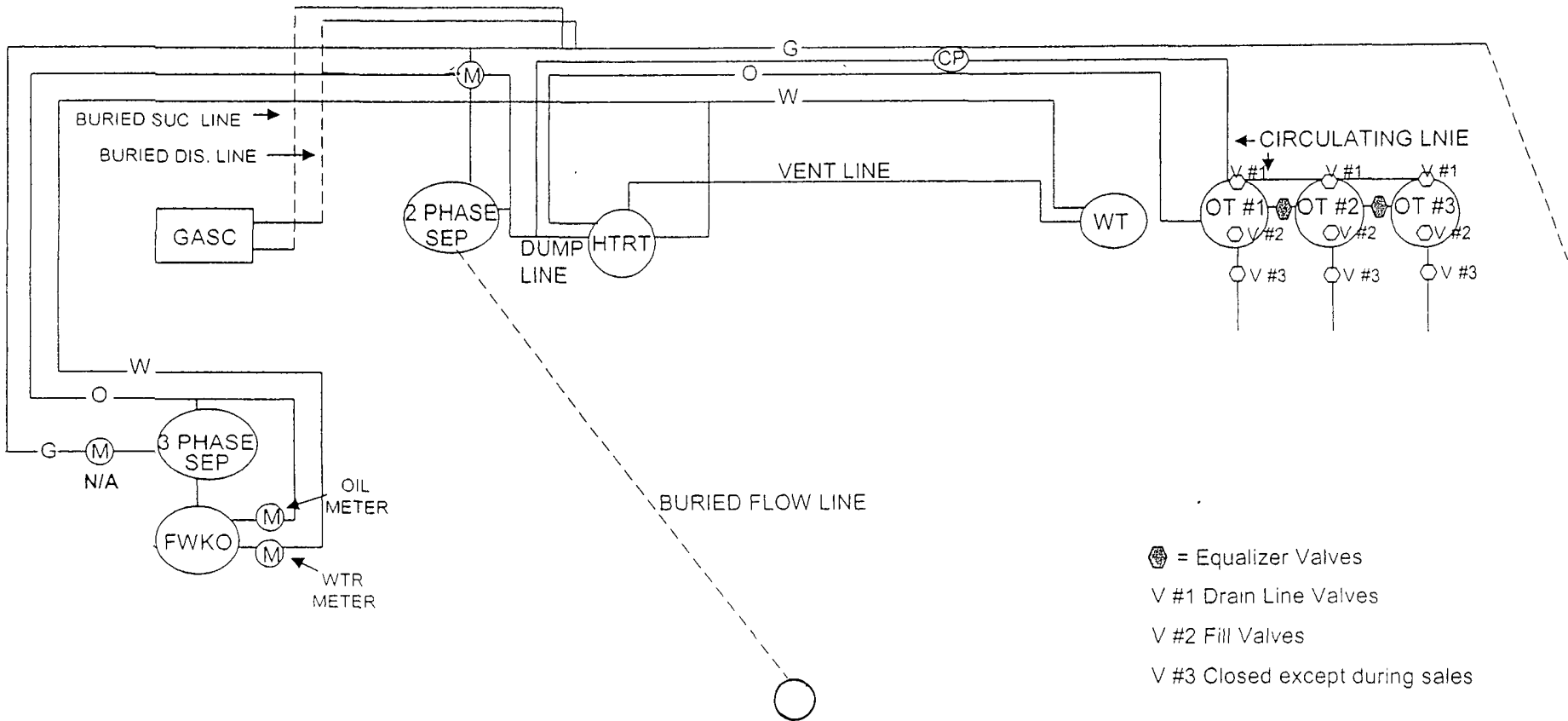
YATES PETROLEUM CORPORATION
Mucho Leck BBW Federal Com. #2H
1100' FSL and 330' FEL SHL
400' FSL and 330' FWL BHL
Section 27, OGS-R27E
Eddy County, New Mexico Exhibit E



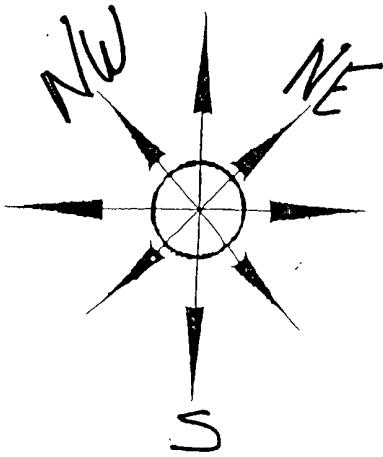


105 South 4th Street * Artesia, NM 88210
 (575)-748-1471

-Danny Matthews
 June, 2010



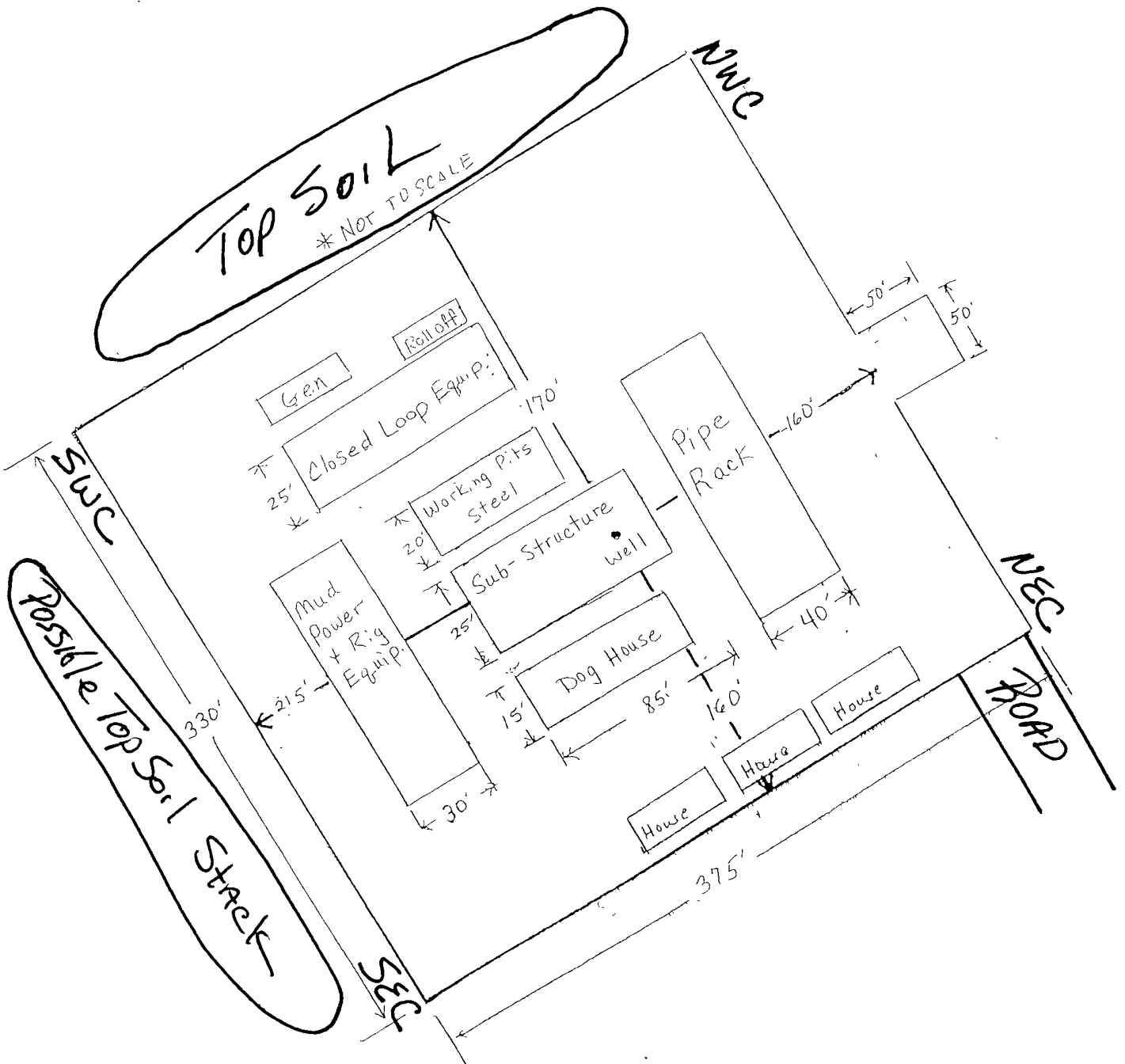
This diagram is subject to the Yates Petroleum Corporation August 1983 Security Plan which is on file at 105 South 4th Street, Artesia, NM



Yates Petroleum Corporation
 Location Layout for Permian Basin

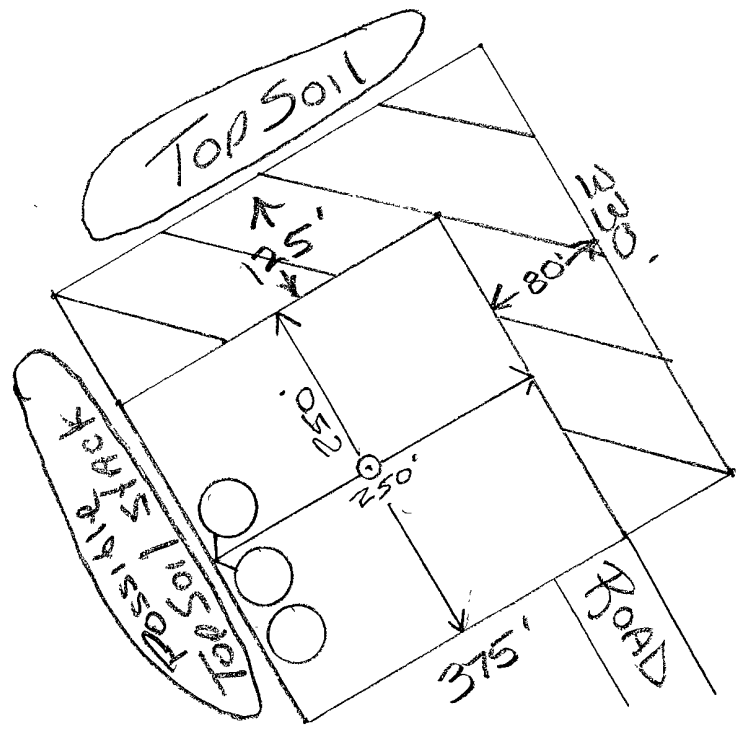
YATES PETROLEUM CORPORATION
 Mucho Luck BBW Federal Com. #2H
 1100' FSL and 330' FEL SHL
 400' FSL and 330' FWL BHL
 Section 27, T16S-R27E
 Eddy County, New Mexico Exhibit B

Closed Loop Design Plan





YATES PETROLEUM CORPORATION
Mucho Luck BBW Federal Com. #2H
Plan for Surface Interim Reclamation
Exhibit F



Not to Scale
This plat may
be different
After final
Reclamation

///
Possible
Reclaimed
Area