

OCD-ARTESIA

Form 3160-3
(February 2005)

UNITED STATES DEPARTMENT OF THE INTERIOR BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

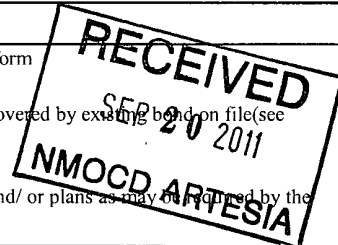
FORM APPROVED
OMB NO. 1004-0137
Expires March 31, 2007

1a Type of Work <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5 Lease Serial No NM-85909
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 N/A
2 Name of Operator Yates Petroleum Corporation #025575		7 If Unit or CA Agreement, Name and No N/A
3a Address 105 South Fourth Street, Artesia, NM 88210		8 Lease Name and Well No Focus "BDB" Fed #1-H
3b Phone No. (include area code) 505-748-1471		9 API Well No 30-015-39421
4 Location of well (Report location clearly and in accordance with any State requirements. *) At surface 560' FNL & 330' FWL, 31-19S-30E, NWNW At proposed prod zone 660' FNL & 330' FEL, 31-19S-30E, SENE		10 Field and Pool, or Exploratory 49622 Parkway, B.S. Wildcat Bone Spring
11 Sec., T., R., M., or Blk. And Survey or Area Sec. 31-19S-30E		12 County or Parish Eddy
13 State NM		14 Distance in miles and direction from the nearest town or post office* Approximately 41 miles southeast of Artesia, New Mexico
15 Distance from proposed* location to nearest (Also to nearest drlg. unit line, if any) 330'	16 No. of acres in lease 159.26	17 Spacing Unit dedicated to this well N2N2, Section 31, T19S-R30E
18 Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft 3332' GL	19 Proposed Depth 8600' Pilot Hole 8420' TVD & 12754 MD	20 BLM/ BIA Bond No. on file NATIONWIDE BOND #NMB000434
21 Elevations (Show whether DF, KDB, RT, GL, etc.) 3332' GL	22 Approximate 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 ap
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	Name (Printed/ Typed) Cy Cowan	Date APR 08 2011
Title Land Regulatory Agent		
Approved By (Signature) /s/ Jesse J. Juen	Name (Printed/ Typed) NM STATE OFFICE	Date SEP 8 2011
Title STATE DIRECTOR		

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 co-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)

CAPITAN CONTROLLED WATER BASIN
SEE ATTACHED FOR
CONDITIONS OF APPROVAL

**APPROVAL SUBJECT TO
GENERAL REQUIREMENTS
AND SPECIAL STIPULATIONS**

YATES PETROLEUM CORPORATION

Focus BDB Federal #1-H
560' FNL & 330' FWL, Surface Hole
660' FNL & 330' FEL, Bottom Hole
Section 31 -T19S-R30-E
Eddy County, New Mexico

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

Salt	370'	Cherry Canyon	3650' Oil Pay
Tansill	1350' Oil Pay	Brushy Canyon	4310' Oil Pay
Yates	1450' Oil Pay	Bone Spring Lime	5860' Oil Pay
Seven Rivers	1700' Oil Pay	1st Bone Spring	7430' Oil
Capitan	1950' Oil Pay	2 nd Bone Spring	8030' Oil Pay 8032'-MD
Delaware	3500' Oil Pay	Target Sand	8370' Oil Pay 8643'-MD
		Pilot Hole TD	8600'
		TD (Lateral Hole)	8420' 12767'-MD

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

Water: Approx 250' - 350'

Oil or Gas: See above--All Potential Zones

2m Annular installed on 20" Surf. CSG and tested

3. Pressure Control Equipment: 3000 PSI BOPE with a 13.625" opening will be installed on the 13 5/8" 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:

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.

5. THE PROPOSED CASING AND CEMENTING PROGRAM:

A. Casing Program: (All New)

	Hole Size	Casing Size	Wt./Ft	Grade	Coupling	Interval	Length
<i>See COA</i>	26"	20"	94#	H-40	ST&C	0-350' <i>300</i>	350'
	17 1/2"	13 3/8"	54.5#	J-55	ST&C	0-100'	100'
	17 1/2"	13 3/8"	48#	H-40/J-55	ST&C	100-1200' <i>1400</i>	1100'
	17 1/2"	13 3/8"	54.5	J-55	ST&C	1200'- 1000	700'
	12 1/4"	9 5/8"	36#	J-55 or K-55	LT&C	0-3500'	3500'
	8 1/2"	5 1/2"	17#	HCP-110	LT&C	0-7800'	7800'
	8 1/2"	5 1/2"	17#	L-80	LT&C	7800-12767'	4967'

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

B. CEMENTING PROGRAM:

Surface casing: 375 sacks Class C Lite + 2% CaCl₂ (YLD 2.00 WT.12.50). Tail in w/225 sacks Class C + 2% CaCl₂ (Yld. 1.34 Wt. 14.8) Designed with 100% excess. TOC-Surface.

Intermediate Casing: Lead with 1200 sacks C Lite + 2% CaCl₂ (YLD 2.00 WT 12.50); tail in with 210 sacks Class C + 2% CaCl₂ (YLD 1.34 WT. 14.80). Designed with 100% excess. TOC-Surface

See COA [2nd Intermediate Casing: Lead with 97 sacks C Lite + 2% CaCl₂ (Yld. 2.00 Wt. 12.50). Tail in with 200 sacks Class C + 2% CaCl₂(Yld. 1.34 Wt. 14.80). TOC - Surface

Production Casing: Cement to be done in two stages with stage tool at approx. 5200'.

Stage 1 from 5300'-12767'; cement with 2000 sacks Pecos Valley Lite (YLD 1.83 WT. 13.00). 30%CaCO₃, 3.2% Expansion additive, 2% Antifoam, .8% Retarder, 15 Fluid loss. Designed with 100% excess. TOC-5200'

See COA Stage 2 from 3000'-5200'; Lead with 375 sacks Lite Crete(YLD 2.66 WT 9.90) D177 Retarder .03 gal/sack; D046 Anti-foam .2%; D065 Dispersant .1%; D124 Extender 39 lb/sack. Tail in with 100 sacks Pecos Valley Lite (Yld. 1.41 Wt. 13.00) w/D151 Calcium Carbonate 22.5 lb/sack; D174 Extender 1.5 lb/sack; D177 Retarder 0.01 lb/sack; D800 Retarder 0.6 lb/sack; D46 Antifoam Agent 0.15 lb/sack. TOC-~~3000'~~ 5200'. Designed with 100% excess.

Well will be drilled vertically depth to 8600". Well will be plugged back with a 500' kick off plug, then kicked off at approximately 7898' and directionally drilled at 12 degrees per 100' with a 8 3/4" hole to 8643' MD (8375' TVD). Hole size will then be reduced to 8 1/2" and drilled to 12767' MD (8420 TVD) where 5 1/2" casing will be set and cemented.. Penetration point of producing zone will be encountered at 569' FNL & 802' FWL, Section 31-19S-30E. Deepest TVD in the well is 8600' in the pilot hole. Deepest TVD in the lateral will be 8420'.

A 180' plug set on the bottom with 100 sacks Class H (Yld. .94 Wt. 17.5) with CFR-3 0.4%; Gilsonite 3.0 lb/sack; HALADA4-344 0.5%; HR-800 0.2%; Poly-E-Flake 0.125 lb/sack. Designed with 25% excess. 500' kick off plug cemented with 280 sacks Class H (Yld .94 Wt. 17.5) with CFR-3 0.4%; Gilsonite 3.0 lb/sack; HALADA4-344 0.5%; HR-800 0.2%; Poly E-Flake 0.125 lb/sack. Designed with 25% excess.

6. Mud Program and Auxiliary Equipment:

Interval	Type	Weight	Viscosity	Fluid Loss
0-350' <i>300</i>	Fresh Water	8.6-9.2	35-40	N/C
350'-1900' <i>1400</i>	Brine Water	10.0	28	N/C
1900'-3500'	Cut Brine	8.4-8.8	28-29	N/C
3500'-8600'	Cut Brine	8.8-9.0	28-32	N/C
7898-12767	Cut Brine (Lateral)	8.8-9.0	28-32	<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. Mud will be checked hourly by rig personnel.

7. EVALUATION PROGRAM:

Samples: 30' samples to 3000', 10 samples 3000' to TD.

Logging: Platform EXpress/Hals/ DipoleSonic, CMR.

Coring: As warranted.

DST's: As warranted.

Mudlogging from surface casing to TD

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

Anticipated BHP:

From: 0	TO: 350'	Anticipated Max. BHP:	167	PSI
From: 350'	TO: 1900'	Anticipated Max. BHP:	988	PSI
From: 1900'	TO: 3500'	Anticipated Max. BHP:	1602	PSI
From: 3500'	TO: 8600'	Anticipated Max. BHP:	4025	PSI

No abnormal pressures or temperatures are anticipated.

Lost Circulation Zones Anticipated: None.

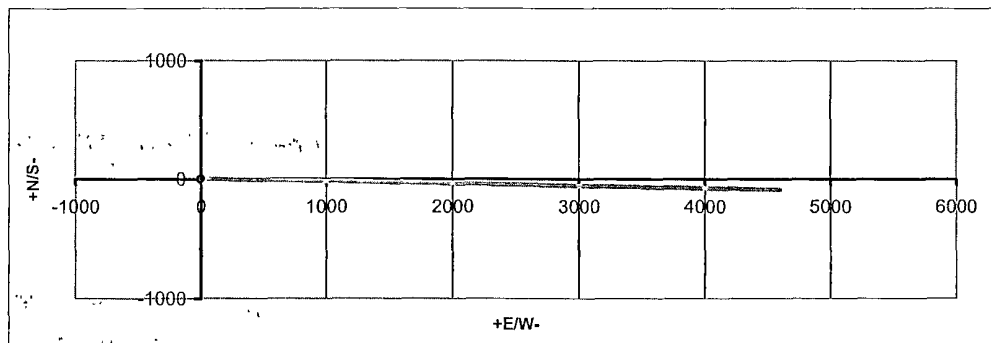
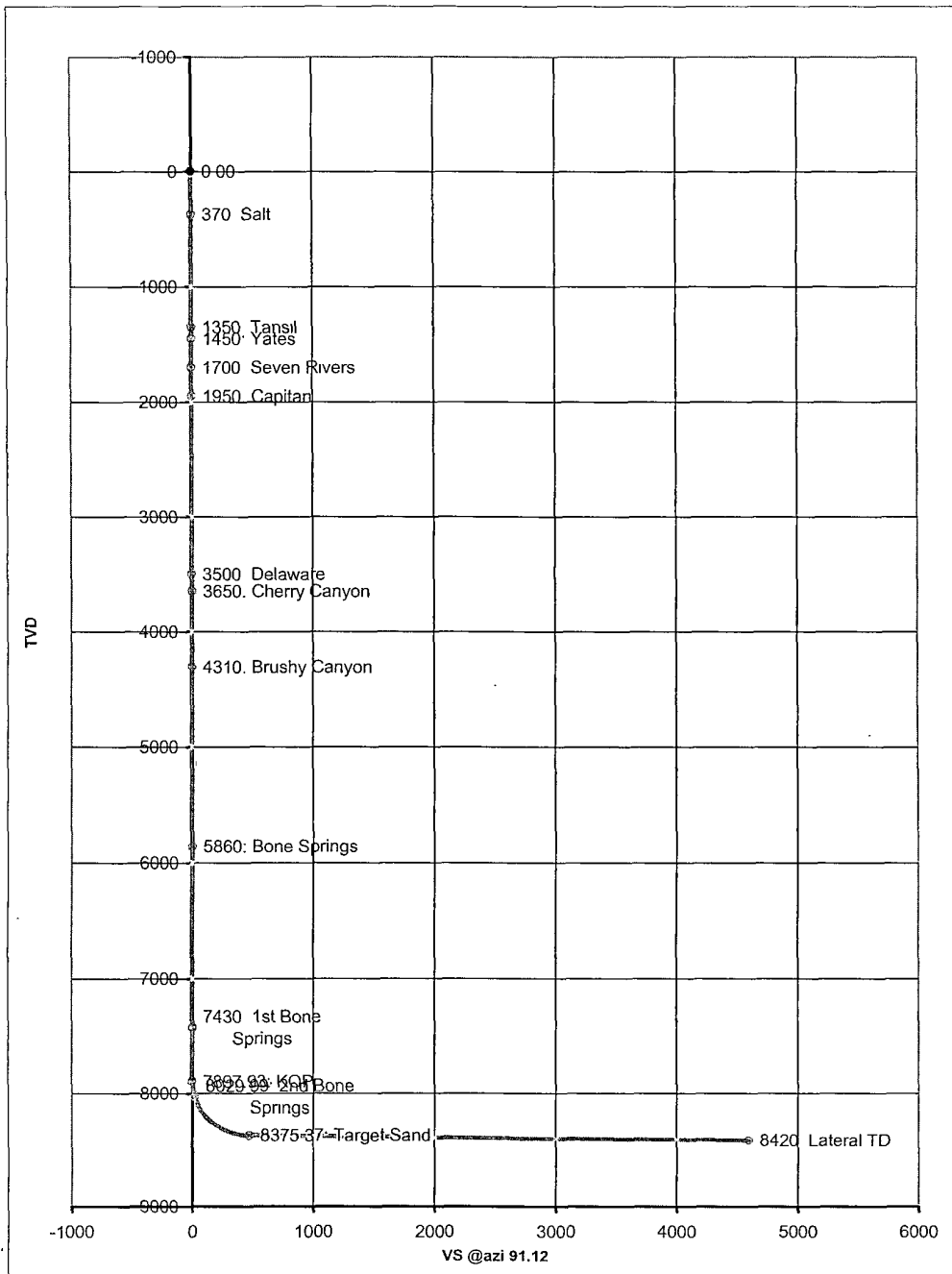
H2S Zones Anticipated: None

9 ANTICIPATED STARTING DATE:

Plans are to drill this well as soon as possible after receiving approval. It should take approximately 65 days to drill the well with completion taking another 30 days.

Co: Yates Petroleum Corporation	Units: Feet, ° 9100ft	VS Az: 91.12	Tgt TVD: 8420.00
Drillers: 0	Elevation:	Tgt Radius: 0.00	Tgt MD: 0.00
Well Name: Focus BDB Federal #1H	Northing:	Tgt N/S: -89.77	Tgt Displ.: 0.00
Location: Section 31, 19S-30E	Easting:	Tgt E/W: 4595.66	Method: Minimum Curvature

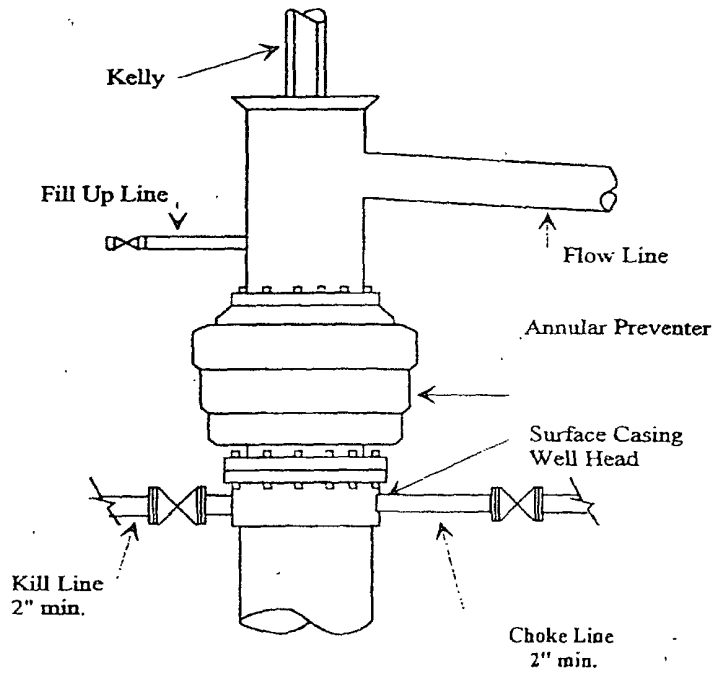
No.	MD	CL	Inc.	Azi	TVD	VS	N/S	E/W	BR	WR	DLS	Comments
0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
1	370.00	370.00	0.00	0.00	370.00	0.00	0.00	0.00	0.00	0.00	0.00	Salt
2	1350.00	980.00	0.00	0.00	1350.00	0.00	0.00	0.00	0.00	0.00	0.00	Tansil
3	1450.00	100.00	0.00	0.00	1450.00	0.00	0.00	0.00	0.00	0.00	0.00	Yates
4	1700.00	250.00	0.00	0.00	1700.00	0.00	0.00	0.00	0.00	0.00	0.00	Seven Rivers
5	1950.00	250.00	0.00	0.00	1950.00	0.00	0.00	0.00	0.00	0.00	0.00	Capitan
6	3500.00	1550.00	0.00	0.00	3500.00	0.00	0.00	0.00	0.00	0.00	0.00	Delaware
7	3650.00	150.00	0.00	0.00	3650.00	0.00	0.00	0.00	0.00	0.00	0.00	Cherry Canyon
8	4310.00	660.00	0.00	0.00	4310.00	0.00	0.00	0.00	0.00	0.00	0.00	Brushy Canyon
9	5860.00	1550.00	0.00	0.00	5860.00	0.00	0.01	0.00	0.00	0.00	0.00	Bone Springs
10	7430.00	1570.00	0.00	0.00	7430.00	0.00	0.01	0.00	0.00	0.00	0.00	1st Bone Springs
11	7897.93	7897.93	0.00	91.12	7897.93	0.00	0.01	0.00	0.00	1.15	0.00	KOP
12	8000.00	102.07	12.25	91.12	7999.22	10.87	-0.21	10.87	12.00	0.00	12.00	
13	8031.74	133.80	16.06	91.12	8029.99	18.63	-0.36	18.62	12.00	0.00	12.00	2nd Bone Springs
14	8100.00	68.26	24.25	91.12	8094.02	42.13	-0.82	42.12	12.00	0.00	12.00	
15	8200.00	100.00	36.25	91.12	8180.25	92.41	-1.80	92.39	12.00	0.00	12.00	
16	8300.00	100.00	48.25	91.12	8254.14	159.52	-3.11	159.49	12.00	0.00	12.00	
17	8400.00	100.00	60.25	91.12	8312.46	240.53	-4.69	240.48	12.00	0.00	12.00	
18	8500.00	100.00	72.25	91.12	8352.66	331.89	-6.48	331.83	12.00	0.00	12.00	
19	8600.00	100.00	84.25	91.12	8372.99	429.62	-8.38	429.53	12.00	0.00	12.00	
20	8642.77	744.83	89.38	91.12	8375.37	472.30	-9.22	472.21	12.00	0.00	12.00	Target Sand
21	12767.25	4124.48	89.38	91.12	8420.00	4596.54	-89.77	4595.66	0.00	0.00	0.00	Lateral TD



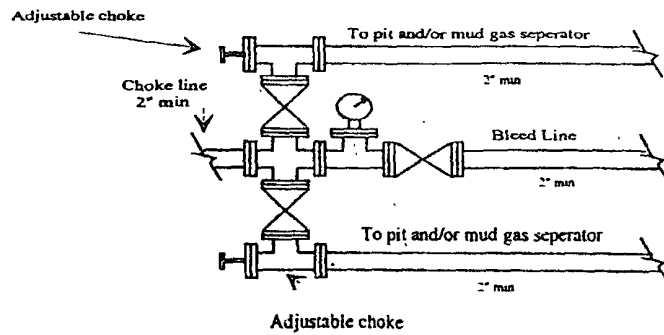
Yates Petroleum Corporation

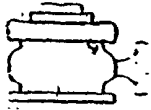
BOP-1

Typical low Pressure System
Schematic
Annular Preventer 2,000 psi



Typical 2,000 psi choke manifold assembly with at least these minimum features

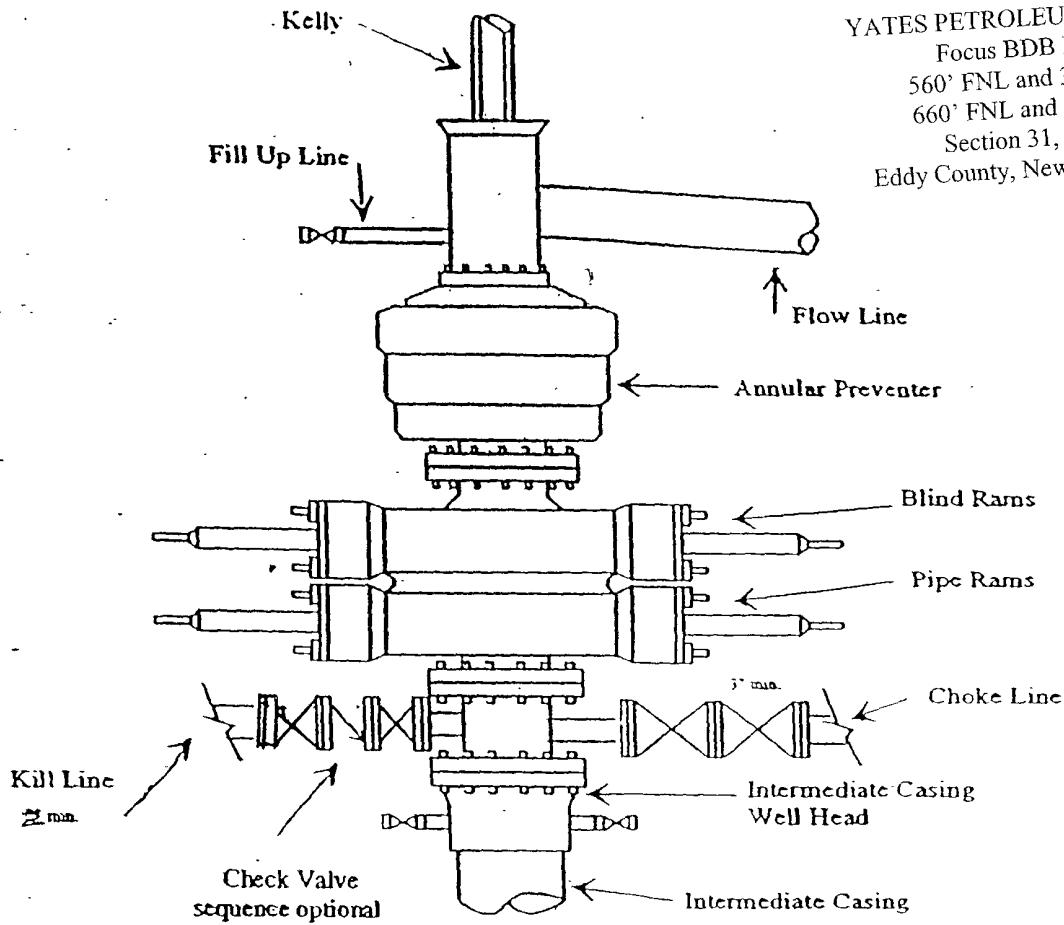




Yates Petroleum Corporation

BOP-3

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



YATES PETROLEUM CORPORATION
Focus BDB Federal #1H
560' FNL and 330' FWL SHL
660' FNL and 330' FEL BHL
Section 31, T19S-R30E
Eddy County, New Mexico Exhibit C

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

