

District II
1301 W. Grand Ave., Artesia, NM 88210
Phone:(505) 748-1283 Fax:(505) 748-9720

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

Form C-101
Permit 80112

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 3. API Number 30-005-64040 |
| 4. Property Code 37300 | 5. Property Name EUREKA UK STATE | 6. Well No. 002 |

7. Surface Location

| | | | | | | | | | |
|----------|---------|----------|-------|---------|-----------|----------|-----------|----------|--------|
| UL - Lot | Section | Township | Range | Lot Idn | Feet From | N/S Line | Feet From | E/W Line | County |
| I | 20 | 10S | 26E | | 2300 | S | 300 | E | CHAVES |

8. Pool Information

| | |
|----------|---|
| Devonian | 0 |
|----------|---|

Additional Well Information

| | | | | |
|---|----------------------------|--|-------------------------|------------------------------------|
| 9. Work Type New Well | 10. Well Type GAS | 11. Cable/Rotary | 12. Lease Type State | 13. Ground Level Elevation 3708 |
| 14. Multiple N | 15. Proposed Depth 6050 | 16. Formation Devonian | 17. Contractor | 18. Spud Date |
| Depth to Ground water | | Distance from nearest fresh water well | | Distance to nearest surface water |
| Pit: Linc: Synthetic <input type="checkbox"/> mls thick Clay <input type="checkbox"/> Pit Volume: bbls Drilling Method: Closed Loop System <input type="checkbox"/> Fresh Water <input checked="" type="checkbox"/> Brine <input type="checkbox"/> Diesel/Oil-based <input type="checkbox"/> Gas/Air <input type="checkbox"/> | | | | |

19. Proposed Casing and Cement Program

| Type | Hole Size | Casing Type | Casing Weight/ft | Setting Depth | Sacks of Cement | Estimated TOC |
|------|-----------|-------------|------------------|---------------|-----------------|---------------|
| Surf | 14.75 | 11.75 | 42 | 600 | 400 | 0 |
| Intl | 11 | 8.625 | 24 | 1600 | 250 | 0 |
| Prod | 7.875 | 5.5 | 15.5 | 6050 | 1050 | 1000 |

Casing/Cement Program: Additional Comments

Yates Petroleum orporation plans to drill and test the Precambrian and Intermediate formations. Surface casing will be set at 600' and cemented to surface. Intermediate casing will be ran and set at 600' and cemented back to 1000'. Should the well be determined to be commercial, production casing will be set at 6050' and cement circulated, perforated and stimulated as needed to gain production.

Proposed Blowout Prevention Program

| Type | Working Pressure | Test Pressure | Manufacturer |
|-----------|------------------|---------------|--------------|
| DoubleRam | 2000 | 2000 | |

I hereby certify that the information given above is true and complete to the best of my knowledge and belief.

I further certify that the drilling pit will be constructed according to NMOCD guidelines ☐ a general permit ☐ or an (attached) alternative OCD-approved plan ☐

Printed Name: Electronically filed by Monti Sanders

Title:

Email Address: montis@ypcnm.com

Date: 8/11/2008

Phone: 575-748-4244

OIL CONSERVATION DIVISION

Approved By:

Title:

Approved Date:

9/2/08

Expiration Date:

9/2/10

District I

1625 N. French Dr., Hobbs, NM 88240

District II

1301 W. Grand Ave., Artesia, NM 88210

District III

1000 Rio Brazos Rd., Aztec, NM 87410

District IV

1220 S. St Francis Dr., Santa Fe, NM 87505

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

Form C-102
 Permit 80112

WELL LOCATION AND ACREAGE DEDICATION PLAT

| | | |
|---------------------------|---|--------------------------|
| 1. API Number | 2. Pool Code | 3. Pool Name Devonian |
| 4. Property Code 37300 | 5. Property Name EUREKA UK STATE | 6. Well No. 002 |
| 7. OGRID No. 25575 | 8. Operator Name YATES PETROLEUM CORPORATION | 9. Elevation 3708 |

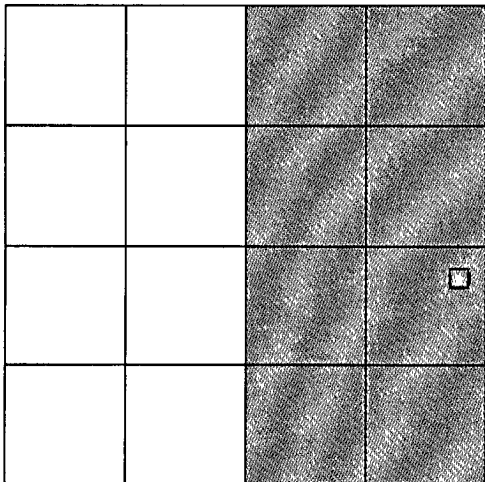
10. Surface Location

| | | | | | | | | | |
|----------|---------|----------|-------|---------|-----------|----------|-----------|----------|--------|
| UL - Lot | Section | Township | Range | Lot Idn | Feet From | N/S Line | Feet From | E/W Line | County |
| | 20 | 10S | 26E | | 2300 | S | 300 | E | CHAVES |

11. Bottom Hole Location If Different From Surface

| | | | | | | | | | |
|-------------------------------|---------------|---------------------|--------------|------------------------|-------------------|---------------|------------------|---------------|------------------|
| UL - Lot I | Section 20 | Township 10S | Range 26E | Lot Idn | Feet From 2300 | N/S Line S | Feet From 300 | E/W Line E | County CHAVES |
| 12. Dedicated Acres 320.00 | | 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: Monti Sanders Title: Date: 8/11/2008</p> <hr/> <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 L. Jones Date of Survey: 7/8/2008 Certificate Number: 7977</p> |
|---|---|

Permit Comments

Operator: YATES PETROLEUM CORPORATION , 25575

Well: EUREKA UK STATE #002

API:

| Created By | Comment | Comment Date |
|------------|--|--------------|
| MSANDERS | Drill out from surface casing with 7 7/8" hole to 1600'. If lost circulation is encountered, make decision to set cement plug or ream hole to 11" and set intermediate casing. If intermediate casing is not run, continue drilling 7 7/8" hole to TD where 5 1/2" casing will be set and cemented to surface. | 8/11/2008 |
| MSANDERS | MUD PROGRAM: 0'-600' with Fresh Water Gel; 600'-1600' with Fresh Water; 1600'-4200' with Brine Water; 4200'-6050' with Starch/Salt Gel/Starch. | 8/11/2008 |
| MSANDERS | BOP PROGRAM: 2000 psi system will be nipped up on the 11 3/4" casing and tested. | 8/11/2008 |
| MSANDERS | Sources at Yates Petroleum Corporation have relayed to me that they believe there will not be enough H2S found from the Surface to the Devonian formation to meet the OCD's minimum requirements for the submission of a contingency plan per Rule 118. | 8/11/2008 |
| MSANDERS | Non-Standard location is being applied for. Well cannot be produced until NSL order is received. | 8/11/2008 |
| MSANDERS | C-144 to follow by mail. | 8/11/2008 |