

OPERATOR'S COPY

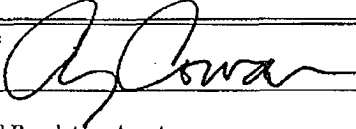
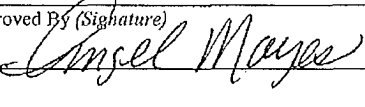
Form 3160-3
(February 2005)

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

1a. Type of Work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. NM-101580	
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	3b. Phone No. (include area code) 505-748-1471	8. Lease Name and Well No. Grid Iron BLI Federal #3 38446	
4. Location of well (Report location clearly and in accordance with any State requirements.) At surface 990' FSL & 330' FWL (Unit Ltr M)		9. API Well No. 30-005-64145	
14. Distance in miles and direction from the nearest town or post office* Approximately 21 miles southeast of Roswell, New Mexico		11. Sec., T., R., M., or Blk. And Survey or Area Sec. 6-12S-27E	
15. Distance from proposed* location to nearest (Also to nearest drlg. unit line, if any) 330'		12. County or Parish Chaves	13. State NM
16. No. of acres in lease 1448.56	17. Spacing Unit dedicated to this well SWSW of Section 6-12S-27E		
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft.	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* ASAP	23. Estimated duration 45 days	
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:

- | | |
|--|--|
| 1. Well plat certified by a registered surveyor. | 4. Bond to cover the operations unless covered by existing bond on file (see item 20 above). |
| 2. ap | 5. Operator certification. |
| 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). | 6. 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) 	Name (Printed/ Typed) Angel Mayes	Date 5-17-2011
Title Assistant Field Manager, Lands And Minerals	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.

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

DECLARED WATER BASIN
KZ 05/18/11
85"
Casing must be CIRCULATED. WITNESS

YATES PETROLEUM CORPORATION
Drilling Plan
Grid Iron "BLI" Federal #3
990' F5L 230' FNL and 330' FWL
Section ~~6~~ 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

1200'-4500'	Brine Water	9.6-10.00	28-29	N/C
4500'-5600'	Saltgel/Starch/4-6%KCL	9.60-9.90	45-55	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.

DISTRICT I --- CHECKLIST FOR INTENTS TO DRILL

Operator YATES PETROLEUM CORP OGRID # 25575
 Well Name & # GRID IRON BLI FED # 3 Surface Type ☒ (F) ☐ (S) ☐ (P)
 Location: UL M, Sect 6, Twnship 12s, RNG 27e, Sub-surface Type ☒ (F) ☐ (S) ☐ (P)

A. Date C101 rec'd / / C101 reviewed / /

B. 1. Check mark, Information is OK on Forms:

OGRID ☒ BONDING FED PROP CODE ☒ WELL # SIGNATURE

2. Inactive Well list as of: 5/18/11 # wells 2381, # Inactive wells 4

a. District Grant APD but see number of inactive wells:

No letter required ☒ Sent Letter to Operator , to Santa Fe

3. Additional Bonding as of: 5/18/11

a. District Denial because operator needs addition bonding:

No Letter required ☒; Sent Letter to Operator , To Santa Fe

b. District Denial because of Inactive well list and Financial Assurance:

No Letter required ☒; Sent Letter to Operator , To Santa Fe

C. C102 YES , NO , Signature

1. Pool WILDCAT G-02 5122706L, Code 97832

a. Dedicated acreage 40, What Units M

b. SUR. Location Standard ☒ Non-Standard Location

c. Well shares acres: Yes , No ☒ # of wells plus this well #

2. 2nd. Operator in same acreage, Yes , No ☒

Agreement Letter , Disagreement letter

3. Intent to Directional Drill Yes , No ☒

a. Dedicated acreage , What Units

b. Bottomhole Location Standard , Non-Standard Bottomhole

4. Downhole Commingle: Yes , No ☒

a. Pool #2 , Code , Acres

Pool #3 , Code , Acres

Pool #4 , Code , Acres

5. POTASH Area Yes , No ☒

D. Blowout Preventer Yes ☒ No

E. H2S Yes , No , PART FED APD

F. C144 Pit Registration Yes , No , need

G. Does APD require Santa Fe Approval:

1. Non-Standard Location: Yes , No ☒ NSL #

2. Non-Standard Proration: Yes , No ☒ NSP #

3. Simultaneous Dedication: Yes , No ☒ SD #

Number of wells Plus #

4. Injection order Yes , No ☒; PMX # or WFX #

5. SWD order Yes , NO ☒; SWD #

6. DHC from SF ; DHC-HOB ; Holding

7. OCD Approval Date 5/18/11

API #30-0 05-64145

8. Reviewers