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UNITED STATES DEPARTMENT OF THE INTERIOR BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR DEEPEN

1a. TYPE OF WORK DRILL [X] DEEPEN []
b. TYPE OF WELL OIL WELL [X] GAS WELL [] OTHER [] SINGLE ZONE [] MULTIPLE ZONE []
2. NAME OF OPERATOR YATES PETROLEUM CORPORATION 25575
3. ADDRESS AND TELEPHONE NO. 105 South Fourth Street, Artesia, New Mexico 88210 (505)748-1471
4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.*) At surface 2310' FSL and 330' FWL At proposed prod. zone Same UNIT L
14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE* Approximately 15 miles east of Malaga, 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 320
17. NO. OF ACRES ASSIGNED TO THIS WELL 40
18. DISTANCE FROM PROPOSED LOCATION* TO NEAREST WELL, DRILLING, COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT.
19. PROPOSED DEPTH 8400'
20. ROTARY OR CABLE TOOLS Rotary
21. ELEVATIONS (Show whether DF, RT, GR, etc.) 3053' GR
22. APPROX. DATE WORK WILL START* ASAP

5. LEASE DESIGNATION AND SERIAL NO. NM-88136
6. IF INDIAN, ALLOTTEE OR TRIBE NAME
7. UNIT AGREEMENT NAME
8. FARM OR LEASE NAME, WELL NO. 20474 Corral Draw AQH Federal #1
9. API WELL NO. 30-015-29396
10. FIELD AND POOL, OR WILDCAT Pierce Crossing Bone Spring, East 96473
11. SEC., T., R., M., OR BLE. AND SURVEY OR AREA Section 13, T24S-R29E
12. COUNTY OR PARISH Eddy County
13. STATE New Mexico

PROPOSED CASING AND CEMENTING PROGRAM

Table with 5 columns: SIZE OF HOLE, GRADE SIZE OF CASING, WEIGHT PER FOOT, SETTING DEPTH, QUANTITY OF CEMENT. Includes rows for 14 3/4", 11", and 7 7/8" hole sizes.

Yates Petroleum Corporation proposes to drill and test the Bone Spring and intermediate formations. Approximately 360' of surface casing will be set and cemented to shut off gravel and caving. Intermediate casing will be run and if commercial production casing will be run and cemented. Will perforate and stimulate as needed for production.

MUD PROGRAM: 0-360' FW Spud Mud; 360'-3000' Brine Water; 3000'-8400' Cut Brine, Starch.

BOPE PROGRAM: BOP's will be installed on the 8 5/8" casing and tested daily.

APPROVAL SUBJECT TO GENERAL REQUIREMENTS AND SPECIAL STIPULATIONS ATTACHED

Posted 10-1 NL & API 2-28-97

JAN 23 9 45 AM '97

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout preventer program, if any.

24. SIGNED [Signature] TITLE Landman DATE January 22, 1997

(This space for Federal or State office use)

PERMIT NO. APPROVAL DATE

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 conduct operations thereon. CONDITIONS OF APPROVAL, IF ANY:

APPROVED BY (ORIG. SGD.) ARMANDO A. LOPEZ ADM, MINERALS DATE 2-20-97

*See Instructions On Reverse Side