

OCD-HOBBS

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JUL 22 2010

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

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

1a Type of Work <input type="checkbox"/> DRILL <input checked="" type="checkbox"/> REENTER		5. Lease Serial No NM 104693
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		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. <38246> Bargain BQA Federal #1
3b. Phone No. (include area code) 505-748-1471		9. API Well No 025 30-015-33341
4. Location of well (Report location clearly and in accordance with any State requirements. *) At surface 1980' FSL & 1980' FEL Unit J At proposed prod. zone Same		10 Field and Pool, or Exploratory <96403> Wildcat Bone Springs
12 Distance in miles and direction from the nearest town or post office* APPROXIMATELY 48 MILES EAST OF CARLSBAD, NEW MEXICO		11 Sec., T, R, M., or Blk. And Survey or Area Sec. 22-T22S-R33E
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drlg. unit line, if any) 1980'		12 County or Parish Lea
16. No. of acres in lease 1040.00		13. State NM
17 Spacing Unit dedicated to this well NWSE		
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 10250'		20 BLM/ BIA Bond No on file NATIONWIDE BOND #NMB000434
21 Elevations (Show whether DF, KDB, RT, GL, etc.) 3556 GL		22 Aproximate date work will start* May 24, 2010
23. Estimated duration 40 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. | 4. Bond to cover the operations unless covered by existing bond on file(see item 20 above) |
| 2. A Drilling Plan | 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 <i>Clifton May</i>	Name (Printed/ Typed) Clifton May	Date 4/13/2010
Title Land Regulatory Agent		
Approved By (Signature) <i>/s/ Don Peterson</i>	Name (Printed/ Typed) -----	Date JUL 20 2010
Title FIELD MANAGER CARLSBAD 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

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

PETROLEUM ENGINEER
Approval Subject to General Requirements
& Special Stipulations Attached

JUL 23 2010

District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, 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 & Natural Resources Department
OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

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Form C-102
Revised October 12, 2005
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies
☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ APL Number 30-013-21248	² Pool Code 96403	³ Pool Name Wildcat Bone Spring
⁴ Property Code 38246	⁵ Property Name Bargain BQA Federal	⁶ Well Number 1
⁷ OGRID No. 025575	⁸ Operator Name Yates Petroleum Corporation	⁹ Elevation 3556

¹⁰ Surface Location

UL or lot no	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
J	22	22S	33E		1980	South	1980	East	Lea

¹¹ Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

¹² Dedicated Acres 40	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.
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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.

¹⁶				¹⁷ OPERATOR CERTIFICATION 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 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 Signature <u>Clifton May</u> Date <u>4/13/10</u> Printed Name <u>Clifton May</u>
				¹⁸ SURVEYOR CERTIFICATION 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. Refer to original plat Date of Survey Signature and Seal of Professional Surveyor Certificate Number

OPERATOR: Please do not report production under this pool code until you have checked with the OCD District I Geologist Paul Kautz, and he confirms where your perfs are producing from and gives you the correct pool code.

NM-104693

1980'

1980'

YATES PETROLEUM CORPORATION
Bargain BQA Federal #1 Re-entry
1980' FSL and 1980' FEL
Section 22-T22S-R33E
Lea County, New Mexico

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

Rustler	1140'	Cherry Canyon	5754'
Castille	3840'	Brushy Canyon	7170'
Lamar Lm	5000'	Bone Spring	8880'
Bell Canyon	5078'	1 st B. Spring Sand	9970'
		TD	10250'
2. The estimated depths at which anticipated water, oil or gas formations are expected to be encountered:

Water: Already Cased Off
Oil or Gas: 5078', 5754, 7170', 8880', & 9970'

3. Pressure Control Equipment: BOPE will be installed on the 8 5/8" casing and rated for 5000# BOP System. Pressure tests 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"	54.5#	J-55	ST&C	0-650'-in place	
12 1/4"	8 5/8"	32#	J-55	ST&C	0-4906'-inplace	
7 7/8"	5 1/2"(New)	17#	L-80	LT&C	0-10250'	10250'

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

B. CEMENTING PROGRAM:

Surface Casing: Originally cemented with 425 sacks and circulated to surface.

Intermediate Casing: Originally cemented with 1850 sacks and cement circulated to surface.

Production Casing: Stage One: Cement with 900 sacks Pecos Vilt. (Wt. 13.0 Yld 1.41) TOC 6600'. DV Tool set approximately 6600'.

Stage Two: Cement with 325 sacks C Lite (Wt. 12.5 Yld. 1.41), Tail in 100 sacks Pecos Vilt (Wt. 13.0 Yld. 1.41. TOC 4400'.

Maximum Anticipated BHP: 4960PSI
Abnormal Pressure Anticipated: None
Lost Circulation Zones Anticipated: None
H2S Zones Anticipated: None
Maximum Bottom Hole Temperature: 160 F

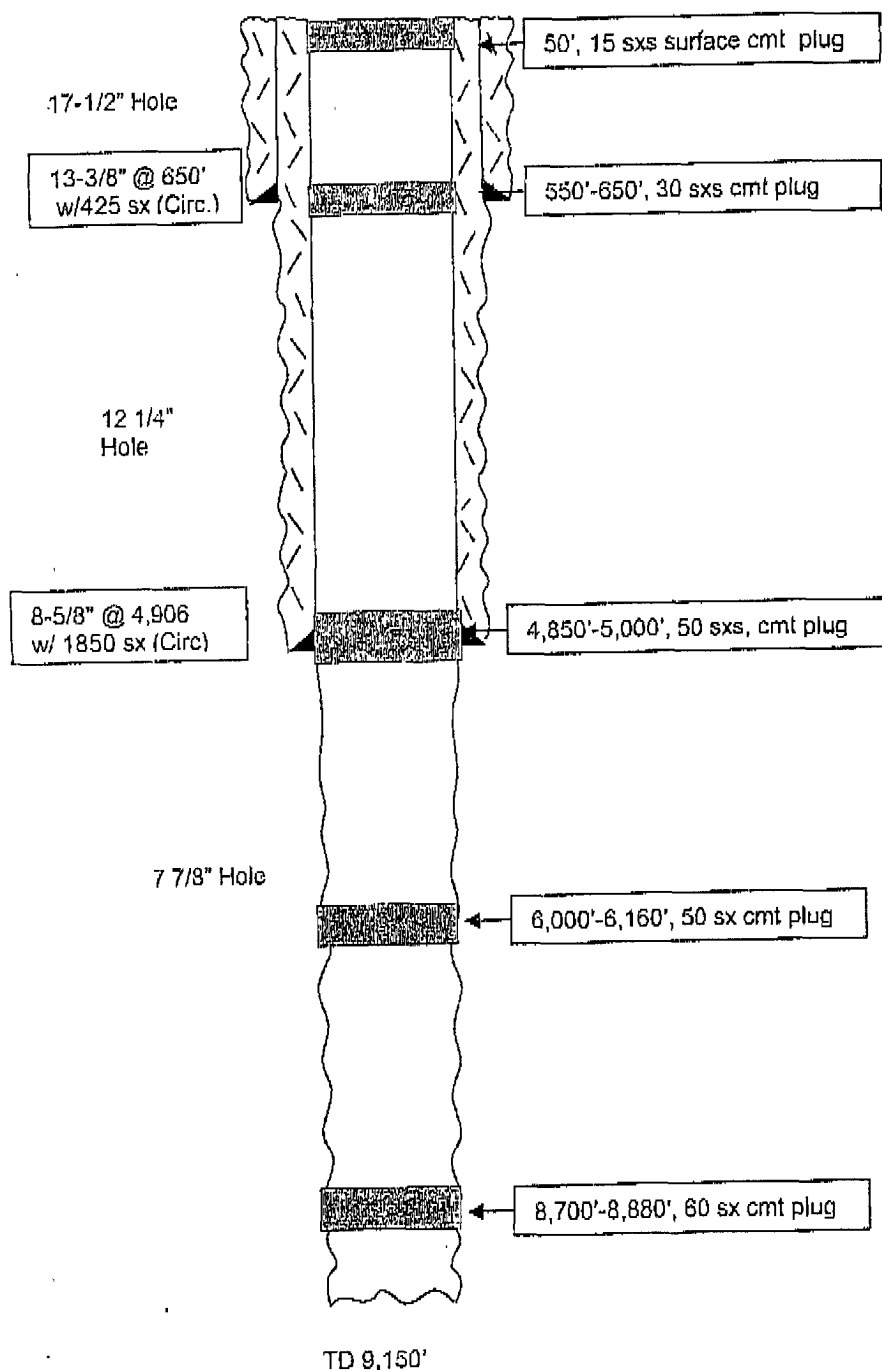
Yates Petroleum Corporation plans to re-enter this well using a completion and a drilling rig. We plan to drill out the cement plugs in the 8 5/8" casing with a completion unit, then move in a drilling rig and drill out the 8 5/8" casing shoe plug. Then drill out two plugs in the open hole, down to the current TD of 9,150'. Then drill formation and deepen the well down to a new TD of 10,250'. We will log the well and set casing. Depending on the log results we will test possibly 3 different Avalon Shale intervals and a Basal Brushy Canyon. A cut brine mud system of approximately 8.9-9.6 ppg will be used increasing weight as necessary.

WELL NAME: Bargain BQA Federal #1 FIELD: Wildcat
 LOCATION: 1980' FSL & 1980' FEL of Section 22-22S-33E Lea County
 GL: 3556' ZERO: KB:
 SPUD DATE: 4/27/96 COMPLETION DATE: D&A 5/30/96
 COMMENTS: API: 30-025-33341

CASING PROGRAM

13-3/8" 54.5# J-55	650'
8-5/8" 32# J55 ST&C	4,906'

Before



Fm. Tops:

Rustler : 1,140'
 Castille : 3,840'
 Lamar Lm : 5,000'
 Bell Canyon : 5,078'
 Cherry canyon : 5,754'
 Brushy Canyon : 7,170'
 Bone Springs : 8,880'
 1st B. Spring sand: 9,970' (est)

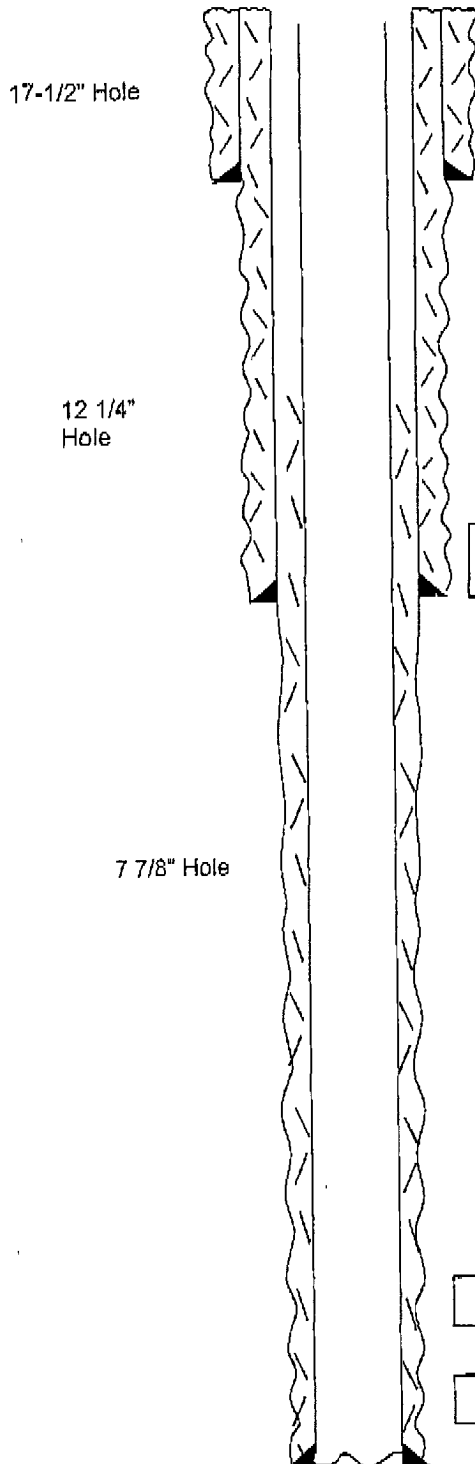
Not to Scale

3/30/10
 MMFH

WELL NAME: Bargain BQA Federal #1 FIELD: WildcatLOCATION: 1980' FSL & 1980' FEL of Section 22-22S-33E Lea CountyGL: 3556' ZERO: KB: SPUD DATE: 4/27/96 COMPLETION DATE: D&A 5/30/96COMMENTS: API: 30-025-33341

CASING PROGRAM

13-3/8" 54.5# J-55	650'
8-5/8" 32# J55 ST&C	4,906'
5 1/2" 17# J-55	10,250'

After

Fm. Tops:

Rustler : 1,140'
 Castille : 3,840'
 Lamar Lm : 5,000'
 Bell Canyon : 5,078'
 Cherry canyon : 5,754'
 Brushy Canyon : 7,170'
 Bone Springs : 8,880'
 1st B. Spring sand: 9,970' (est)

Basal Brushy Canyon perforations

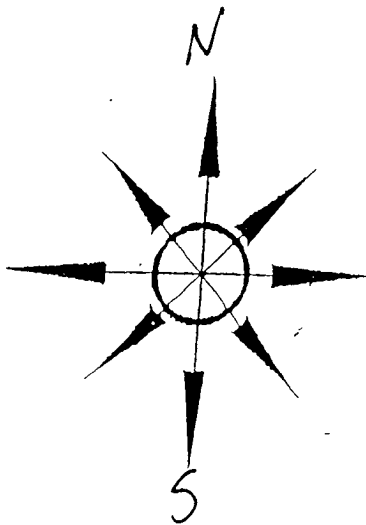
Avalon shale perforations

5 1/2" @ 10,250'
 w/ cmt tied back 500' into 8 5/8" csg

TD: 10,250'

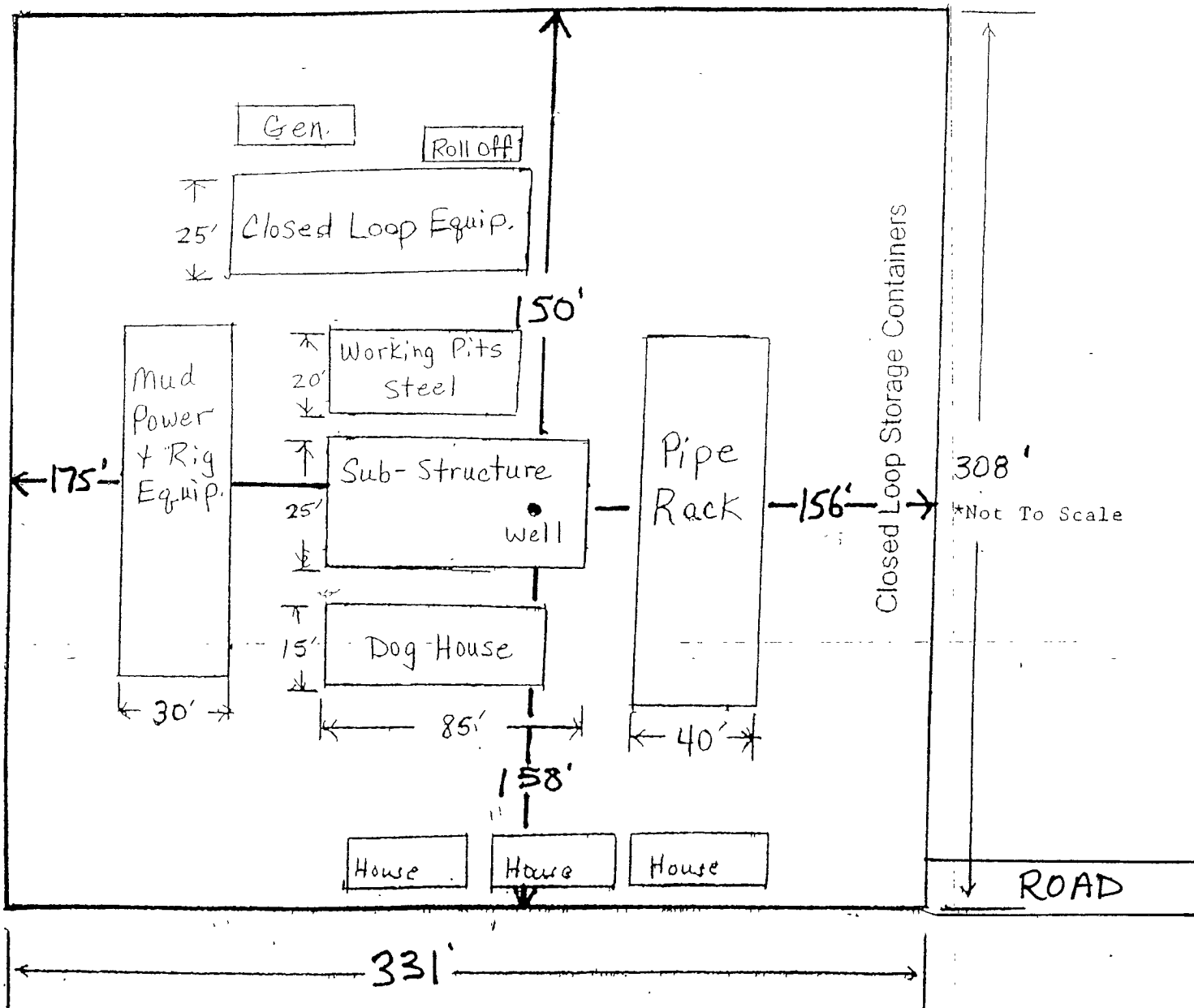
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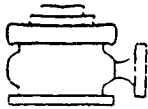
4/1/10
 MMFH



Yates Petroleum Corporation
Location Layout for Permian Basin

Closed Loop Design Plan
Bargain BQA Federal #1
1980' FSL & 1980' FEL
Section 22, T22S-R33E
Lea County, New Mexico
Exhibit "C"

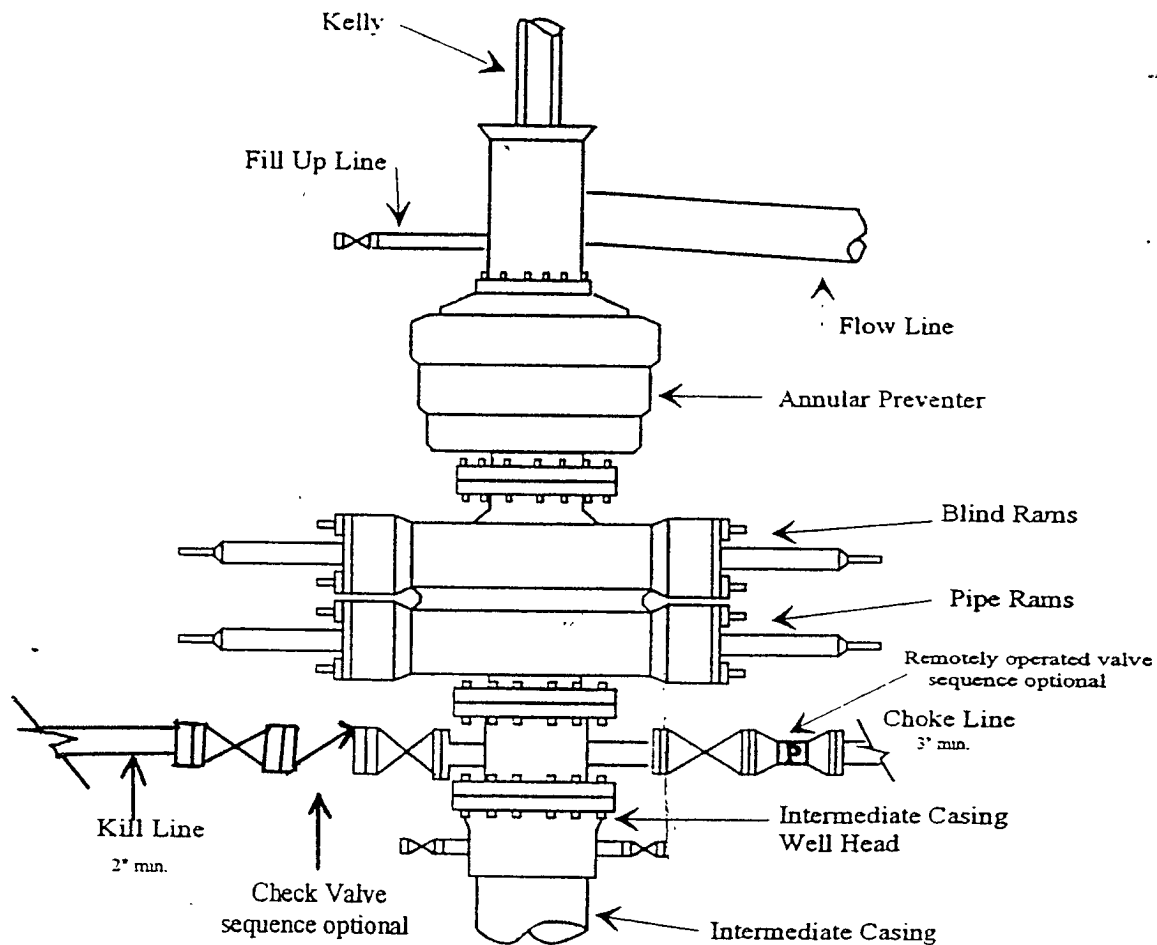




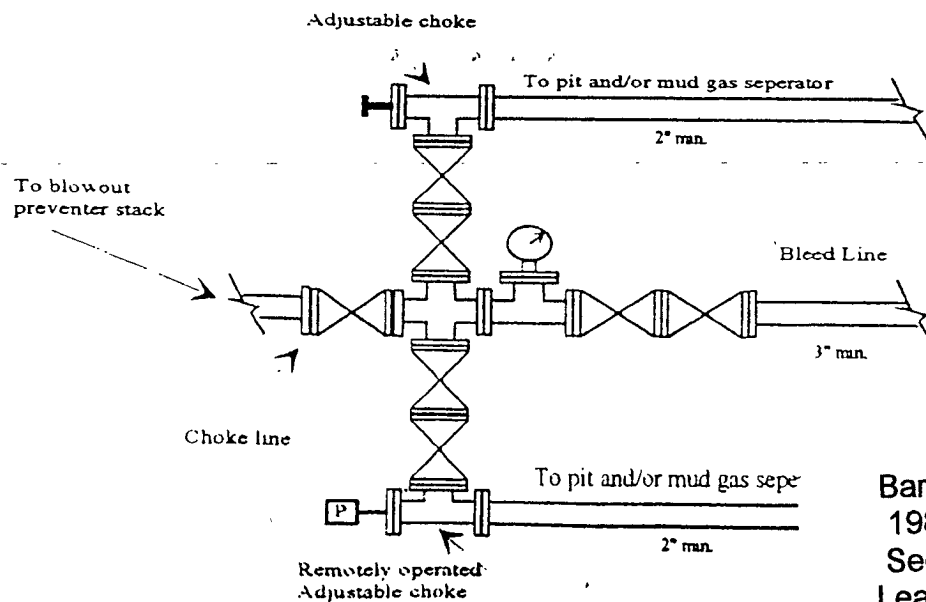
Yates Petroleum Corporation

BOP-4

Typical 5,000 psi Pressure System Schematic Annular with Double Ram Preventer Stack

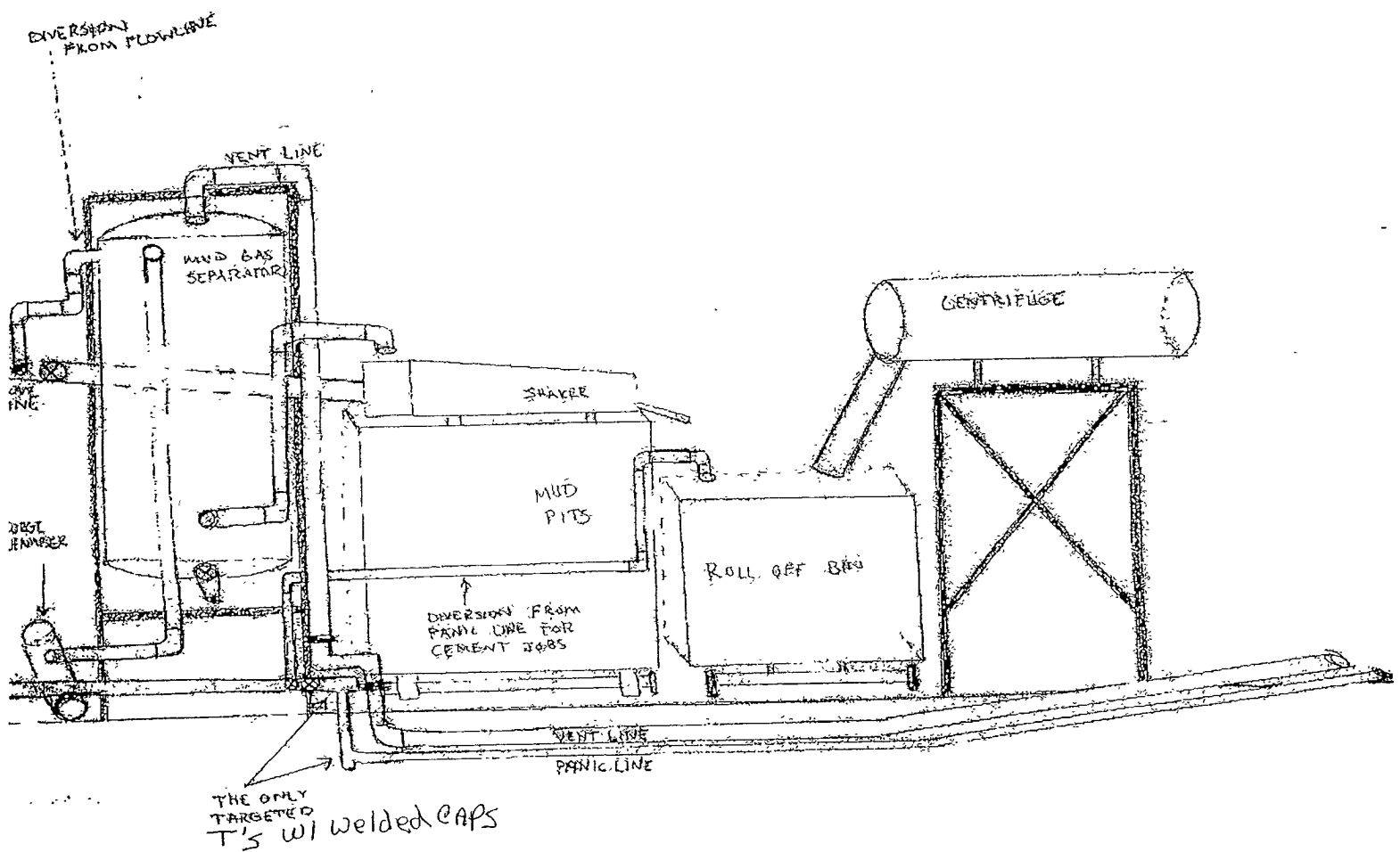


Typical 5,000 psi choke manifold assembly with at least these minimum features



Bargain BQA Federal #1
1980' FSL & 1980' FEL
Section 22, T22S-R33E
Lea County, New Mexico
Exhibit "B"

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



Bargain BQA Federal #1
1980' FSL & 1980' FEL
Section 22, T22S-R33E
Lea County, New Mexico
Exhibit "C-1"