

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-101
Permit 2137

APPLICATION FOR PERMIT TO DRILL

| | | |
|---|--|----------------------------|
| Operator Name and Address YATES PETROLEUM CORPORATION 105 South Fourth St. Artesia, NM 88210 | | OGRID Number 25575 |
| | | API Number 30-015-33715 |
| Property Code 34398 | Property Name HEDGEROW BFH STATE COM. | Well No. 001 |

Surface Location

| UL or Lot | Section | Township | Range | Lot Idn | Feet From | N/S Line | Feet From | E/W Line | County |
|-----------|---------|----------|-------|---------|-----------|----------|-----------|----------|--------|
| M | 28 | 20S | 28E | M | 660 | S | 1136 | W | Eddy |

Proposed Pools

| |
|-----------------|
| Wildcat Chester |
|-----------------|

| | | | | |
|-----------------------|-------------------------|----------------------|---------------------|--------------------------------|
| Work Type New Well | Well Type GAS | Cable/Rotary | Lease Type State | Ground Level Elevation 3217 |
| Multiple N | Proposed Depth 11600 | Formation Chester | Contractor | Spud Date 10/28/2004 |

Proposed Casing and Cement Program

| Type | Hole Size | Casing Size | Casing Weight/ft | Setting Depth | Sacks of Cement | Estimated TOC |
|------|-----------|-------------|------------------|---------------|-----------------|---------------|
| Surf | 17.5 | 13.375 | 48 | 600 | 650 | 0 |
| Int1 | 12.75 | 9.625 | 36 | 2600 | 1025 | 0 |
| Prod | 8.75 | 5.5 | 17 | 11600 | 3600 | 2100 |

Casing/Cement Program: Additional Comments

Yates Petroleum Corporation proposes to drill/test the Chester/intermediate formations. Approximately 600' of surface casing will be set/cement circulated to shut off gravel and cavings. If commercial, production casing will be run/cemented, perforate/stimulate as needed for production. MUD PROGRAM: 0-600' FW/Paper; 600'- 2600'FW/LCM; 2600'- 10,400 Cut Brine; 10,400 - TD Salt Gel/Starch/Drispac. BOPE PROGRAM: A 5000# BOPE will be installed on the 9 5/8" casing and tested daily.

Proposed Blowout Prevention Program

| Type | Working Pressure | Test Pressure | Manufacturer |
|------------|------------------|---------------|--------------|
| Double Ram | 5000 | 5000 | |

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

Electronically Signed By: Debbie Caffall

Title: Regulatory Technician

Date: 11/11/2004

Phone: 505-748-4364

OIL CONSERVATION DIVISION

Electronically Approved By: Bryan Arrant

Title: Geologist

Approval Date: 11/11/2004 Expiration Date: 11/11/2005

Conditions of Approval:
There are conditions. See Attached.