

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

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE

| | | |
|---|--------------------------------------|-------------------------------|
| 1. Operator Name and Address YATES PETROLEUM CORPORATION 105 South Fourth St. Artesia, NM 88210 | | 2. OGRID Number 25575 |
| | | 3. API Number 30-025-37561 |
| 4. Property Code 35240 | 5. Property Name YARROW BHY STATE | 6. Well No. 001 |

7. Surface Location

| UL - Lot | Section | Township | Range | Lot Idn | Feet From | N/S Line | Feet From | E/W Line | County |
|----------|---------|----------|-------|---------|-----------|----------|-----------|----------|--------|
| A | 32 | 23S | 33E | A | 990 | N | 990 | E | LEA |

8. Pool Information

| | |
|----------------------|-------|
| TRIPLE X,BONE SPRING | 59900 |
|----------------------|-------|

Additional Well Information

| | | | | |
|---|----------------------------|--|-------------------------|---|
| 9. Work Type New Well | 10. Well Type OIL | 11. Cable/Rotary | 12. Lease Type State | 13. Ground Level Elevation 3672 |
| 14. Multiple N | 15. Proposed Depth 9140 | 16. Formation Bone Spring | 17. Contractor | 18. Spud Date |
| Depth to Ground water 275 | | Distance from nearest fresh water well > 1000 | | Distance to nearest surface water > 1000 |
| Pit: Liner: Synthetic <input checked="" type="checkbox"/> 12 _____ miles thick Clay <input type="checkbox"/> Pit Volume: 24000 _____ 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 | 17.5 | 13.375 | 48 | 700 | 700 | 0 |
| Int1 | 11 | 8.625 | 32 | 5150 | 1250 | 0 |
| Prod | 7.875 | 5.5 | 17 | 9140 | 1700 | 0 |

Casing/Cement Program: Additional Comments

Yates Petroleum Corporation proposes to drill and test the Bone Spring and intermediate formations. Approximately 700' of surface casing will be set and cement circulated to surface. Production casing will be ran and cemented, perforated, and stimulated as needed to gain production.

Proposed Blowout Prevention Program

| Type | Working Pressure | Test Pressure | Manufacturer |
|-----------|------------------|---------------|--------------|
| DoubleRam | 3000 | 300 | |

| | | |
|---|----------------------------------|---------------------------------|
| 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 NMOCB guidelines <input type="checkbox"/> a general permit <input checked="" type="checkbox"/> or an (attached) alternative OCB-approved plan <input type="checkbox"/> . | OIL CONSERVATION DIVISION | |
| Printed Name: Electronically filed by Debbie Caffall | Approved By: Paul Kautz | |
| Title: Regulatory Agent | Title: Geologist | |
| Email Address: debbiec@ypcnm.com | Approved Date: 11/21/2005 | Expiration Date: 11/21/2006 |
| Date: 11/21/2005 | Phone: 505-748-4376 | Conditions of Approval Attached |

District I
 1625 N. French Dr., Hobbs, NM 88240
 Phone:(505) 393-6161 Fax:(505) 393-0720

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

District III
 1000 Rio Brazos Rd., Aztec, NM 87410
 Phone:(505) 334-6178 Fax:(505) 334-6170

District IV
 1220 S. St Francis Dr., Santa Fe, NM 87505
 Phone:(505) 476-3470 Fax:(505) 476-3462

State of New Mexico
Energy, Minerals and Natural Resources
Oil Conservation Division
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Santa Fe, NM 87505

Form C-102
 Permit 18932

WELL LOCATION AND ACREAGE DEDICATION PLAT

| | | |
|-------------------------------|---|--------------------------------------|
| 1. API Number 30-025-37561 | 2. Pool Code S9900 | 3. Pool Name TRIPLE X BONE SPRING |
| 4. Property Code 35240 | 5. Property Name YARROW BHY STATE | 6. Well No. 001 |
| 7. OGRID No. 25575 | 8. Operator Name YATES PETROLEUM CORPORATION | 9. Elevation 3672 |

10. Surface Location

| | | | | | | | | | |
|---------------|---------------|-----------------|--------------|---------|------------------|---------------|------------------|---------------|---------------|
| UL - Lot A | Section 32 | Township 23S | Range 33E | Lot Idn | Feet From 990 | N/S Line N | Feet From 990 | E/W Line E | County LEA |
|---------------|---------------|-----------------|--------------|---------|------------------|---------------|------------------|---------------|---------------|

11. Bottom Hole Location If Different From Surface

| | | | | | | | | | |
|------------------------------|---------------------|------------------------|---------------|---------|-----------|----------|-----------|----------|--------|
| UL - Lot | Section | Township | Range | Lot Idn | Feet From | N/S Line | Feet From | E/W Line | County |
| 12. Dedicated Acres 40.00 | 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

| | | | | | | | | | | | | | | | | | |
|---|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|---|
| <table border="1"> <tr> <td></td><td></td><td></td><td></td></tr> <tr> <td></td><td></td><td></td><td></td></tr> <tr> <td></td><td></td><td></td><td></td></tr> <tr> <td></td><td></td><td></td><td></td></tr> </table> | | | | | | | | | | | | | | | | | <p 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.</i></p> <p>E-Signed By: Debbie Caffall Title: Regulatory Agent Date: 11/21/2005</p> <hr/> <p 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: Herschel Jones Date of Survey: 11/9/2005 Certificate Number: 3640</p> |
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Permit Comments

Operator: YATES PETROLEUM CORPORATION , 25575

Well: YARROW BHY STATE #001

API: 30-025-37561

| Created By | Comment | Comment Date |
|------------|---|--------------|
| clif | Mud program will be as follows:0-700' FW/Spud Mud; 700'-1270' FW; 1270'-5150' Brine; 5150'-9000' FW/Cut Brine; 9000'-TD Cut Brine. | 11/21/2005 |
| clif | Sources at YPC have relayed to me that they believe there will not be enough H2S found from the surface to the Bone Spring formation to meet OCD's minimum requirements for the submission of a contingency plan per Rule 110 | 11/21/2005 |
| clif | BOPE PROGRAM: A 3000 psi BOPE will be installed on the 8 5/8" casing and tested daily for operational. | 11/21/2005 |
| clif | Sources accessed suggests that the ground water is found at 175'; distance from nearest fresh water well is more than 1000'; distance from nearest surface water is more than 1000'. A total of 0 points. | 11/21/2005 |

Permit Conditions of Approval

Operator: YATES PETROLEUM CORPORATION , 25575

Well: YARROW BHY STATE #001

API: 30-025-37561

| OCD Reviewer | Condition |
|-----------------|---|
| pkautz | Pit construction and closure must satisfy all requirements of your approved plan, O.C.D. Rule 19.15.2.50, and the Pit and Below-Grade Tank Guidelines |
| pkautz | prior to any pit construction notify Gary Wink at 505-393-6161 ext 114 |