

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 S 4TH ST ARTESIA , NM 88210		2. OGRID Number 25575
		3. API Number 30-025-38017
4. Property Code 33444	5. Property Name MERLE STATE UNIT	6. Well No. 008

7. Surface Location

UL - Lot	Section	Township	Range	Lot Idn	Feet From	N/S Line	Feet From	E/W Line	County
D	23	10S	34E	D	660	N	660	W	LEA

8. Pool Information

Mississippian	0
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Additional Well Information

9. Work Type New Well	10. Well Type GAS	11. Cable/Rotary	12. Lease Type State	13. Ground Level Elevation 4119
14. Multiple N	15. Proposed Depth 12300	16. Formation Mississippi Limestone	17. Contractor	18. Spud Date
Depth to Ground water 45		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	400	450	0
Int1	12.25	9.625	40	4150	1400	0
Prod	8.75	5.5	17	12300	925	0

Casing/Cement Program: Additional Comments

Yates Petroleum Corportation proposes to drill and test the Mississippian/intermediate formations. Approximately 400' of surface casing will be set and cement circulated. Intermediate casing will be set at 4150', cement circulated to surface. If commercial prodction casing will be ran, perforated, and stimulated as needed to gain production.

Proposed Blowout Prevention Program

Type	Working Pressure	Test Pressure	Manufacturer
DoubleRam	5000	5000	

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 NMOCD guidelines <input type="checkbox"/> a general permit <input checked="" type="checkbox"/> or an (attached) alternative OCD-approved plan <input type="checkbox"/> .	OIL CONSERVATION DIVISION	
	Approved By: Paul Kautz	
	Title: Geologist	
	Approved Date: 7/20/2006	Expiration Date: 7/20/2007
	Conditions of Approval Attached	

Printed Name: Electronically filed by dusty bean	
Title: Regulatory Tech	
Email Address: dustyb@ypcnm.com	
Date: 7/19/2006	Phone: 505-748-4364

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

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Form C-102
Permit 34528

WELL LOCATION AND ACREAGE DEDICATION PLAT

1. API Number 30-025-38017	2. Pool Code	3. Pool Name Mississippian
4. Property Code 33444	5. Property Name MERLE STATE UNIT	6. Well No. 008
7. OGRID No. 25575	8. Operator Name YATES PETROLEUM CORPORATION	9. Elevation 4119

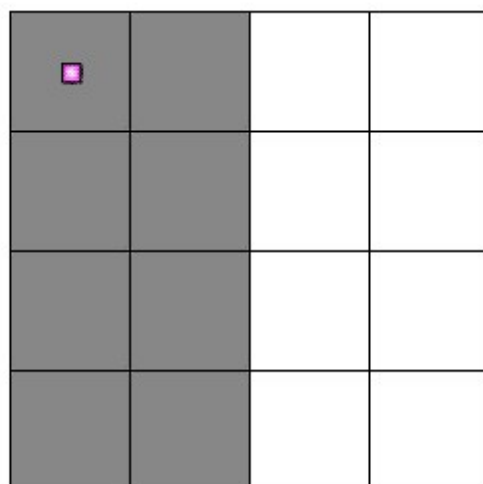
10. Surface Location

UL - Lot D	Section 23	Township 10S	Range 34E	Lot Idn	Feet From 660	N/S Line N	Feet From 660	E/W Line W	County LEA
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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 320.00	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



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(s) 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.

E-Signed By: dusty bean
Title: Regulatory Tech
Date: 7/19/2006

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.

Surveyed By: Hershal Jones
Date of Survey: 7/18/2006
Certificate Number: 3640

Permit Comments

Operator: YATES PETROLEUM CORPORATION , 25575

Well: MERLE STATE UNIT #008

API: 30-025-38017

Created By	Comment	Comment Date
dustyb	Sources at YPC have relayed information to me that there will not be enough H2S found from the surface to the Mississippian formation to meet the OCD's minimum requirements for the submission of a contingency plan per rule 118.	7/19/2006
dustyb	BOPE PROGRAM: A 5000# BOPE will be installed on the 9.625" casing and tested daily for operational.	7/19/2006
dustyb	MUD PROGRAM: 0-400' Fresh Water Gel; 400'-2150' Fresh Water; 2150'-4150' Red Bed Mud/Oil; 4150'-7650' Cut Brine; 7650'-11470' SWW/GEL/Starch; 11470'-11945' SWW/Gel/Starch/4-6% KCL; 11945'-12300' SWW/GEL/Starch/4-6% KCL.	7/19/2006

Permit Conditions of Approval

Operator: YATES PETROLEUM CORPORATION , 25575

Well: MERLE STATE UNIT #008

API: 30-025-38017

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