

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 30-05-63979 |
| 4. Property Code 36683 | 5. Property Name BIPLANE UNIT | 6. Well No. 006 |

7. Surface Location

| UL - Lot | Section | Township | Range | Lot Idn | Feet From | N/S Line | Feet From | E/W Line | County |
|----------|---------|----------|-------|---------|-----------|----------|-----------|----------|--------|
| N | 16 | 06S | 27E | N | 990 | S | 1980 | W | CHAVES |

8. Pool Information

| | |
|------------------|-------|
| WC; PRE-CAMBRIAN | 97457 |
|------------------|-------|

Additional Well Information

| | | | | |
|---|----------------------------|--|-------------------------|---|
| 9. Work Type New Well | 10. Well Type GAS | 11. Cable/Rotary | 12. Lease Type State | 13. Ground Level Elevation 3981 |
| 14. Multiple N | 15. Proposed Depth 6280 | 16. Formation Undesignated Precambrian | 17. Contractor | 18. Spud Date |
| Depth to Ground water 65 | | 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 type="checkbox"/> Brine <input type="checkbox"/> Diesel/Oil-based <input checked="" 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 | 1100 | 800 | 0 |
| Int1 | 12.25 | 9.625 | 36 | 2150 | 550 | 0 |
| Prod | 8.75 | 5.5 | 15.5 | 6280 | 1300 | 0 |

Casing/Cement Program: Additional Comments

Yates Petroleum Corporation proposes to drill/test the Precambrian and intermediate formations. Approximately 1100' of surface casing will be set/cemented to shut off gravel and cavings. The 9 5/8" intermediate casing will only be set if hole conditions dictate. If commercial, production casing will be run/cemented; will perforate/stimulate as needed for production.

Proposed Blowout Prevention Program

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

| | |
|---|--|
| 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 |
| Printed Name: Electronically filed by Shirley Pruitt | Approved By: Bryan Arrant |
| Title: | Title: Geologist |
| Email Address: shirleyp@ypcnm.com | Approved Date: 8/27/2007 Expiration Date: 8/27/2008 |
| Date: 8/24/2007 Phone: 505-748-4356 | 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

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Energy, Minerals and Natural Resources
Oil Conservation Division
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Santa Fe, NM 87505

Form C-102
Permit 59476

WELL LOCATION AND ACREAGE DEDICATION PLAT

| | | |
|------------------------------|---|----------------------------------|
| 1. API Number 30-05-63979 | 2. Pool Code 97457 | 3. Pool Name WC; PRE-CAMBRIAN |
| 4. Property Code 36683 | 5. Property Name BIPLANE UNIT | 6. Well No. 006 |
| 7. OGRID No. 25575 | 8. Operator Name YATES PETROLEUM CORPORATION | 9. Elevation 3981 |

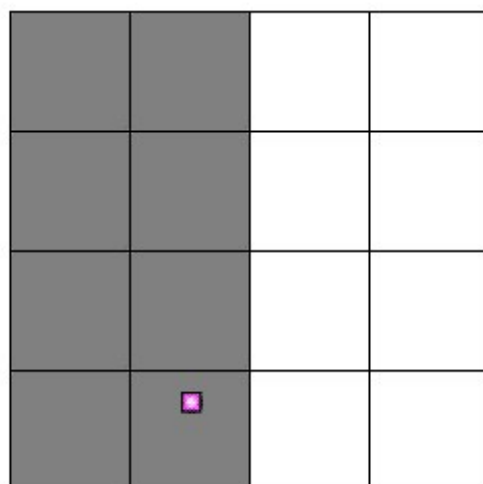
10. Surface Location

| | | | | | | | | | |
|---------------|---------------|-----------------|--------------|---------|------------------|---------------|-------------------|---------------|------------------|
| UL - Lot N | Section 16 | Township 06S | Range 27E | Lot Idn | Feet From 990 | N/S Line S | Feet From 1980 | E/W Line W | County CHAVES |
|---------------|---------------|-----------------|--------------|---------|------------------|---------------|-------------------|---------------|------------------|

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: Shirley Pruitt

Title:

Date: 8/24/2007

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: Gary Jones

Date of Survey: 8/23/2007

Certificate Number: 7977

Permit Comments

Operator: YATES PETROLEUM CORPORATION , 25575

Well: BIPLANE UNIT #006

API: 30-05-63979

| Created By | Comment | Comment Date |
|------------|---|--------------|
| DCAFFALL | Sources at YPC have relayed information to me that they believe there will not be enough H2S found from the surface to the Undesignated Precambrian formation to meet the OCD's minimum requirements for the submission of a contingency plan per Rule 118. | 8/20/2007 |
| DCAFFALL | If hole conditions warrant, 9 5/8" casing will be set at approximately 2,150' and cement tied back to previous casing. An 8 3/4" hole will then be drilled to 6,280'. Where either 4 1/2", 5 1/2", or 7" will be set and cement tied back to previous casing. | 8/20/2007 |
| DCAFFALL | If 9 5/8" casing is not set, then the hole size will be reduced to 8 3/4" at approximately 2,150' and drill to TD. Where either 4 1/2", 5 1/2", or 7" will be set and cement tied back to previous casing. | 8/20/2007 |
| DCAFFALL | Pressure Control Equipment: It is requested that permission be given to install a drilling nipple on the 13 3/8" casing while drilling to a depth of 2,150', where either 9 5/8" casing will be run or hole will be reduced to 8 3/4". In either case at 2,150' a 3000# BOP will be nipped up and tested. | 8/20/2007 |
| DCAFFALL | MUD PROGRAM: 0-1100' – FW Gel; 1100' – 2150' Cut Brine ; 2150'- 4200' Brine Water; 4200' to 6280' Salt Gel/Starch/4-6% KCL. | 8/20/2007 |

Permit Conditions of Approval

Operator: YATES PETROLEUM CORPORATION , 25575

Well: BIPLANE UNIT #006

API: 30-05-63979

| OCD Reviewer | Condition |
|-----------------|---|
| BArrant | 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 |
| BArrant | As noted , operator to drill surface hole w/fresh water mud. |
| BArrant | Operator to notify OCD time of spud and time to witness the cementing to surface of all strings of casing. |