State of New Mexico

Form C-101 Permit 122609

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

YATES PETR	stor Name and Address DLEUM CORPORATION	2. OGRID Number 25575		
2000	05 S 4TH ST ESIA , NM 88210	3. API Number 30-025-39947		
4. Property Code 38375	5. Property Name QUIJOTE BQJ STATE COM	6. Wett No. 001H		

7. Surface Location

8	UL - Lot	Section	Township	Range	Lot Idn	Feet From	N/S Line	Feet From	E/W Line	County
1	В	2	26S	32E	В	480	N	1980	E	LEA

8. Pool Information

WILDCAT;BONE SPRING	96403
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Additional Well Information

9. Work Type New Well	10. Well Type OIL	11. Cable/Rotary	12. Lease Type State	13. Ground Level Elevation 3331
14. Multiple N	15. Proposed Dep 14185	th 16. Formation Bone Spring	17. Contractor	18. Spud Date 12/15/2010
Depth to Ground	water	Distance from nearest fresh	water well	Distance to nearest surface water
Pit: Liner: Synthetic Closed Loop Syste	mils th	ick Clay Pit Volume:	bbls Drilling Method: Fresh Water X Brine	Diesel/Oil-based Gas/Air

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	750	600	
Int1	12.25	9.625	40	4750	1550	
Prod	8.75	5.5	17	14185	2425	8900

Casing/Cement Program: Additional Comments

H2S is not anticipated for this well.

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	OIL CONSERVATION DIVISION			
NMOCD guidelines a general permit or an (attached) alternative	Approved By: Paul Kautz			
Printed Name: Electronically filed by Monti Sanders	Title: Geologist			
Title:	Approved Date: 11/8/2010	Expiration Date: 11/8/2012		
Email Address: montis@yatespetroleum.com	[17]			
Date: 11/4/2010 Phone: 575-748-4244				

District I

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

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

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 1220 S. St Francis Dr.

Santa Fe, NM 87505

WELL LOCATION AND ACREAGE DEDICATION PLAT

1. API Number 30-025-39947	2. Pool Code 96403	3. Pool Name WILDCAT;BONE SPRING	
4. Property Code 38375	5. Property 1 QUIJOTE BQJ ST		6. Wett No. 001H
7. OGRID No. 25575	8. Operator 1 YATES PETROLEUM		9. Elevation 3331

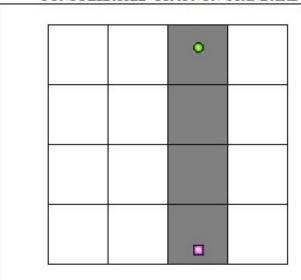
10. Surface Location

UL - Lot	Section	Township	Range	Lot Idn	Feet From	N/S Line	Feet From	E/W Line	County
В	2	26S	32E	In the second of	480	N	1980	E	LEA

11. Bottom Hole Location If Different From Surface

UL - Lot	Section 2	Township	Range	Lot Idn	Feet From	N/S Line	Feet From	E/W Line	County
O		26S	32E	O	330	S	1980	E	LEA
V	12. Dedicated Acres 160.00		oint 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

Form C-102

Permit 122609

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: Monti Sanders

Title:

Date: 11/4/2010

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: 9/2/2010 Certificate Number: 7977

Permit Comments

Operator: YATES PETROLEUM CORPORATION , 25575
Well: QUIJOTE BQJ STATE COM #001H
API: 30-025-39947

Created By	Comment	Comment Date					
MSANDERS	Pilot hole drilled vertically to 10400". Well will be plugged back with a 400"-500" kick off plug, then kicked off at approximately 9373" and directionally drilled at 12 degrees per 100" with a 8 3/4" hole to 10200" MD (9850" TVD). If hole conditions dictate, 7" casing will be set and cemented.						
MSANDERS	A 6 1/8" hole will then be driled to 14185' MD (9850' TVD), where 4 1/2" will be set. If 7" is not set then hole will be reduced to 7 7/8" and drilled to 14185' MD (9850' TVD), where 5 1/2" casing will be set and cemented.	11/4/2010					
MSANDERS	Penetration point of producing zone will be encountered at 957' FNL and 1980' FEL, 2-26S-32E. Deepest TVD in the well is 10400' in the pilot hole. Deepest TVD in the lateral will be 9850'.	11/4/2010					
MSANDERS	MUD PROGRAM: 0-750' Fresh Water; 750'-4750' Brine Water; 4750'-10400' Cut Brine; 9373'-14185' Cut Brine(lateral). PRESSURE CONTROL EQUIPMENT: 3000 psi system nippled up on 13 3/8" and 9 5/8" casing.	11/4/2010					
MSANDERS	C-144 for a Closed Loop System, Contigency Casing Design Plan and Drilling Plan to follow by mail.	11/4/2010					
DMULL	OCD Hobbs has received form C-144CLEZ. OCD Permit Number P1-02605.	11/8/2010					
DMULL	OPERATOR: Please do not report production under this temporary pool code until you have checked with the OCD District I Geoligist Paul Kautz and he confirms where your perfs are producing from and gives you the correct pool code.	11/8/2010					