

District I
1625 N. French Dr., Hobbs, NM 88240
Phone:(575) 393-6161 Fax:(575) 393-0720

District II
811 S. First St., Artesia, NM 88210
Phone:(575) 748-1283 Fax:(575) 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
1220 S. St Francis Dr.
Santa Fe, NM 87505

Form C-101
August 1, 2011
Permit 182905

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 |
| 4. Property Code 40458 | | 3. API Number 30-025-41742 |
| 5. Property Name JUNCTION BVJ STATE | | 6. Well No. 001H |

7. Surface Location

| | | | | | | | | | | | | | | | | | | | |
|----------|---|---------|----|----------|-----|-------|-----|---------|--|-----------|-----|----------|---|-----------|-----|----------|---|--------|-----|
| UL - Lot | P | Section | 36 | Township | 18S | Range | 35E | Lot Idn | | Feet From | 250 | N/S Line | S | Feet From | 660 | E/W Line | E | County | Lea |
|----------|---|---------|----|----------|-----|-------|-----|---------|--|-----------|-----|----------|---|-----------|-----|----------|---|--------|-----|

8. Proposed Bottom Hole Location

| | | | | | | | | | | | | | | | | | | | |
|----------|---|---------|----|----------|-----|-------|-----|---------|---|-----------|-----|----------|---|-----------|-----|----------|---|--------|-----|
| UL - Lot | A | Section | 36 | Township | 18S | Range | 35E | Lot Idn | A | Feet From | 330 | N/S Line | N | Feet From | 660 | E/W Line | E | County | Lea |
|----------|---|---------|----|----------|-----|-------|-----|---------|---|-----------|-----|----------|---|-----------|-----|----------|---|--------|-----|

9. Pool Information

| | |
|---------------------------|-------|
| VACUUM;BONE SPRING, SOUTH | 61900 |
|---------------------------|-------|

Additional Well Information

| | | | | |
|---------------------------|-----------------------------|--|-------------------------|------------------------------------|
| 11. Work Type New Well | 12. Well Type OIL | 13. Cable/Rotary | 14. Lease Type State | 15. Ground Level Elevation 3830 |
| 16. Multiple N | 17. Proposed Depth 13806 | 18. Formation 3rd Bone Spring Sand | 19. Contractor | 20. Spud Date 4/1/2014 |
| Depth to Ground water | | Distance from nearest fresh water well | | Distance to nearest surface water |

☐ We will be using a closed-loop system in lieu of lined pits

21. 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 | 1825 | 1335 | 0 |
| Int1 | 12.25 | 9.625 | 36 | 6000 | 1950 | 0 |
| Prod | 8.5 | 5.5 | 17 | 13806 | 865 | 8800 |
| Prod | 8.75 | 5.5 | 17 | 9561 | 650 | 5400 |

Casing/Cement Program: Additional Comments

| |
|--|
| |
|--|

22. Proposed Blowout Prevention Program

| Type | Working Pressure | Test Pressure | Manufacturer |
|------------|------------------|---------------|--------------|
| Double Ram | 3000 | 3000 | |
| Double Ram | 5000 | 5000 | |

| | |
|--|--|
| 23. I hereby certify that the information given above is true and complete to the best of my knowledge and belief. I further certify I have complied with 19.15.14.9 (A) NMAC <input checked="" type="checkbox"/> and/or 19.15.14.9 (B) NMAC <input checked="" type="checkbox"/> if applicable. Signature: Printed Name: Electronically filed by LORI FLORES Title: Land Regulatory Technician Email Address: lorif@yatespetroleum.com Date: 3/12/2014 | OIL CONSERVATION DIVISION Approved By: Paul Kautz Title: Geologist Approved Date: 3/20/2014 Expiration Date: 3/20/2016 Conditions of Approval Attached |
| Phone: 575-748-4448 | |

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

Form C-102
August 1, 2011
Permit 182905

WELL LOCATION AND ACREAGE DEDICATION PLAT

| | | |
|-------------------------------|---|---|
| 1. API Number 30-025-41742 | 2. Pool Code 61900 | 3. Pool Name VACUUM;BONE SPRING, SOUTH |
| 4. Property Code 40458 | 5. Property Name JUNCTION BVJ STATE | 6. Well No. 001H |
| 7. OGRID No. 25575 | 8. Operator Name YATES PETROLEUM CORPORATION | 9. Elevation 3830 |

10. Surface Location

| | | | | | | | | | |
|---------------|---------------|-----------------|--------------|---------|------------------|---------------|------------------|---------------|---------------|
| UL - Lot P | Section 36 | Township 18S | Range 35E | Lot Idn | Feet From 250 | N/S Line S | Feet From 660 | E/W Line E | County Lea |
|---------------|---------------|-----------------|--------------|---------|------------------|---------------|------------------|---------------|---------------|

11. Bottom Hole Location If Different From Surface

| | | | | | | | | | |
|-------------------------------|---------------------|-----------------|------------------------|---------|------------------|---------------|------------------|---------------|---------------|
| UL - Lot A | Section 36 | Township 18S | Range 35E | Lot Idn | Feet From 330 | N/S Line N | Feet From 660 | E/W Line E | County Lea |
| 12. Dedicated Acres 160.00 | 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" style="width: 100%; border-collapse: collapse;"> <tr><td style="width: 25%; height: 40px;"></td><td style="width: 25%; height: 40px;"></td><td style="width: 25%; height: 40px;"></td><td style="width: 25%; height: 40px; text-align: center;"></td></tr> <tr><td style="height: 40px;"></td><td style="height: 40px;"></td><td style="height: 40px;"></td><td style="height: 40px;"></td></tr> <tr><td style="height: 40px;"></td><td style="height: 40px;"></td><td style="height: 40px;"></td><td style="height: 40px;"></td></tr> <tr><td style="height: 40px;"></td><td style="height: 40px;"></td><td style="height: 40px;"></td><td style="height: 40px; text-align: center;"></td></tr> </table> | | | | | | | | | | | | | | | | | <p style="text-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, 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.</i></p> <p>E-Signed By: LORI FLORES Title: Land Regulatory Technician Date: 3/12/2014</p> <hr/> <p style="text-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: Gary Jones Date of Survey: 2/25/2014 Certificate Number: 7977</p> |
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Form APD Comments

Permit 182905

PERMIT COMMENTS

| | |
|--|-----------------------------------|
| Operator Name and Address: YATES PETROLEUM CORPORATION [25575] 105 S 4TH ST ARTESIA, NM 88210 | API Number: 30-025-41742 |
| | Well: JUNCTION BVJ STATE #001H |

| Created By | Comment | Comment Date |
|------------|--|--------------|
| THAHN | H2S is not anticipated. C102 and drilling diagram will follow by mail. | 3/12/2014 |
| THAHN | Samples: 10' samples surface to TD Logging: GR NEUTRON TD TO SURFACE DENSITY TD TO INTERM CSG LATEROLOG TD TO INTERM CSG CMR TD TO INTERM CSG (SCHLUMBERGER TOOLS PLATFORM/HRLA/CMR) FMI/DIPOLE SONIC OVER BONE SPRING POSSIBLE DST's: None Coring: None Mudlogging: On Below Surface Casing | 3/12/2014 |
| THAHN | Mud Level Monitoring: After surface casing is set an electronic PVT system will be installed as our primary mud level monitoring system. A secondary system will also be implemented as to insure the PVT system is functioning properly. The secondary system will be comprised of the derrick hand checking the fluid level in the pit. | 3/12/2014 |
| THAHN | MAXIMUM ANTICIPATED BHP: DEPTHS ARE TVD 0'-1825' is 873 PSI 1825'-5925' is 3143 PSI 5925'-10400' is 4975 PSI PILOT HOLE 8808'-9285' is 4442 PSI LATERAL | 3/12/2014 |
| THAHN | Pilot hole will be drilled vertically to 10400'. Well will then be plugged back with a 200' isolation plug on bottom and a 500'-600' kick off plug. Well will then be kicked off at approximately 8808' and directionally drilled at 12 degrees per 100' with an 8.75" hole to 9561' MD (9285' TVD). Hole size will then be reduced to 8.5" and drilled to 13806' MD (9263' TVD) where 5.5" casing will be set and cemented 500' into previous casing string. Penetration point of producing zone will be encountered at 730' FSL and 660' FEL, 36-18S-35E. Deepest TVD is 10400' in the pilot hole. Deepest TVD is 9285 | 3/12/2014 |

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Form APD Conditions

Permit 182905

PERMIT CONDITIONS OF APPROVAL

| | |
|---|-----------------------------------|
| Operator Name and Address: YATES PETROLEUM CORPORATION [25575] 105 S 4TH ST ARTESIA , NM 88210 | API Number: 30-025-41742 |
| | Well: JUNCTION BVJ STATE #001H |

| OCD Reviewer | Condition |
|-----------------|--|
| DMULL | Will require a directional survey with the C-104 |
| DMULL | 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 |
| DMULL | Once the well is spud, to prevent ground water contamination through whole or partial conduits from the surface, the operator shall drill without interruption through the fresh water zone or zones and shall immediately set in cement the water protection string |
| DMULL | State/State |
| pkautz | 1) SURFACE & INTERMEDIATE CASING - Cement must circulate to surface -- 2) PRODUCTION CASING - Cement must tie back into intermediate casing -- |
| pkautz | Surface casing must be set 25' below top of Rustler Anhydrite in order to seal off protectable water |