

Form 3160-3
(February 2005)

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NMOCD ARTESIA

FORM APPROVED
OMB NO. 1004-0137
Expires March 31, 2007UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of Work <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No 34L NM-101584, NM-93191, VA-1750	
1b. Type of Well <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other <input checked="" type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		6. If Indian, Allottee or Tribe Name N/A	
2. Name of Operator Yates Petroleum Corporation (025575)		7. If Unit or CA Agreement, Name and No. N/A	
3a. Address 105 South Fourth Street, Artesia, NM 88210		8. Lease Name and Well No Groovy BQV Federal Com #1H (38830)	
3b. Phone No (include area code) 505-748-1471		9. API Well No 30-015-39446	
4. Location of well (Report location clearly and in accordance with any State requirements *) At surface 1860' FSL & 200' FWL, NWSW Sec. 35-16S-27E (L) At proposed prod zone 1700' FSL & 330' FEL, NESE Sec. 35-16S-27E		10. Field and Pool, or Exploratory EMPIRE, WOLF CAMP, NW Wildcat Wolfcamp 97286	
11. Sec., T., R., M., or Blk. And Survey or Area Section 35-T16S-R27E		12. County or Parish Eddy	
13. State NM		14. Distance in miles and direction from the nearest town or post office* 14 miles northeas of Artesia, NM.	
15. Distance from proposed* location to nearest property or lease line, ft (Also to nearest drlg unit line, if any) 200'	16. No. of acres in lease 40.00	17. Spacing Unit dedicated to this well N2S2, Section 35 T16S-R27E	
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft 1320'	19. Proposed Depth 6290TVD&10643'MD	20. BLM/ BIA Bond No. on file NATIONWIDE BOND #NMB000434	
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3420 GL ✓	22. Approximate date work will start* June 19, 2011	23. Estimated duration 60 days	

24. Attachments

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No. 1 shall be attached to this form

- | | |
|---|---|
| 1. Well plat certified by a registered surveyor | 4. Bond to cover the operations unless covered by existing bond on file (see item 20 above) |
| 2. A Drilling Plan. | 5. Operator certification |
| 3. A Surface Use Plan (if the location is on National Forest System Lands, the SUPO must be filed with the appropriate Forest Service Office) | 6. Such other site specific information and/ or plans as may be required by the BLM |

25. Signature <i>Clifton May</i>	Printed Name Clifton May	Date 4/18/2011
Title Land Regulatory Agent		
Approved By (Signature) Is/ Don Peterson	Name (Printed/ Typed) CARLSBAD FIELD OFFICE	Date AUG 29 2011
Title FIELD MANAGER		

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to cc operations thereon

Conditions of approval, if any, are attached

APPROVAL FOR TWO YEARS

Title 18 USC Section 1001 and Title 43 USC Section 1212, make it a crime for any person knowingly and wilfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction

Roswell Controlled Water Basin

SEE ATTACHED FOR
CONDITIONS OF APPROVALApproval Subject to General Requirements
& Special Stipulations Attached

YATES PETROLEUM CORPORATION
Groovy "BQV" Federal Com. #1H
1860' FSL and 200' FWL, Section 35-16S-27E, Surface Hole Location
1700' FSL & 330' FEL, Section 35-16S-27E, Bottom Hole Location
Eddy County, New Mexico

1. The estimated tops of geologic markers are as follows:

Seven Rivers	470'	Tubb	4400' Oil
Queen	960'	ABO	5140' Oil/Gas
Sand Andres	1630' Oil/Gas	Wolfcamp	6325' Oil
Glorieta	3130' Oil	TVD	6290'
		TMD (Lateral)	10643'

2. The estimated depths at which anticipated water, oil or gas formations are expected to be encountered:

Water: 160'

Oil or Gas: Zones: 1630' Oil/Gas, 3130' Oil, 4400' Oil, 5240' Oil/Gas & 6325' Oil.

3. Pressure Control Equipment: BOPE with a 13.625" opening will be installed on the 13 3/8" and on the 9 5/8" casing and rated for 3000# BOP System. Pressure tests will be conducted before drilling out from under all casing strings, which are set and cemented in place. Blowout Preventer controls will be installed prior to drilling the surface plug and will remain in use until the well is completed or abandoned. Preventers will be inspected and operated at least daily to ensure good mechanical working order, and this inspection recorded on the daily drilling report. See Exhibit B.
4. Auxiliary Equipment: Kelly cock, pit level indicators, flow sensor equipment, and a sub with full opening valve to fit the drill pipe and collars will be available on the rig floor in the open position at all times for use when Kelly is not in use.
5. THE PROPOSED CASING AND CEMENTING PROGRAM:

A. Casing Program: All new casing to be used

<u>Hole Size</u>	<u>Casing Size</u>	<u>Wt./Ft</u>	<u>Grade</u>	<u>Coupling</u>	<u>Interval</u>	<u>Length</u>
17 1/2"	13 3/8"	48#	J-55	ST&C	0-400' ✓	400'
12 1/4"	9 5/8"	36#	K-55	ST&C	0-1550' ✓	1550'
7 7/8"	5 1/2"	17	P-110	LT&C	0-100'	100
7 7/8"	5 1/2"	17	L-80	LT&C	100'-10,643'	10,543'

Minimum Casing Design Factors: Burst 1.0, Tensile Strength 1.8, Collapse 1.125

B. CEMENTING PROGRAM:

Surface Casing: Cement with 170 sacks Class C w/CaCl₂ (Yld 1.97 Wt. 12.90), .125PPS D130, 4%D-20, 2%S1, .2%D46. Tail in with 200 sack class C (Yld 1.33 Wt 14.8) with .125PPS D130, Designed with 100% excess. TOC surface.

Intermediate Casing: Lead with 400 sacks of C Lite (Yld 1.96 Wt 12.90) 4% D20, .2% D46, 2%S1. Tail in with 200 sacks C (Yld 1.35 Wt 14.8) with .1% D13. Designed with 100% excess. TOC surface

Production cement to be done in one stage with Cementer tool at 5700'.

Packer/port system from end of lateral to 100' above KOP, cement 5700'-1000'

*See
COA*

Stage One from 5700'-1000': lead with 650 sacks 35/65/C (Yld 2.04 Wt 12.6)
.2%D46, 6%NACL, 2%S1. Tail in with 200 sacks C Neat (Yld 1.33 Wt 14.8) with
.06 gps ret., 4% ret. Drdigned with 35% excess. TOC 1000'

Well will be drilled vertically to 5812'. Well will be kicked off at approximately 5812' and directionally drilled at 12 degrees per 100' to 6572' MD (6290' TVD) and drilled laterally to 10643' MD (6210' TVD). Penetration point of producing zone will be encountered at 1813' FSL & 684' FWL, 35-16S-27E. Deepest TVD in the well is 6290' is in the lateral.

6. MUD PROGRAM AND AUXILIARY EQUIPMENT:

<u>Interval</u>	<u>Type</u>	<u>Weight</u>	<u>Viscosity</u>	<u>Fluid Loss</u>
0-400'	Fresh Water	8.60-9.20	29-36	N/C
400'-1550'	Brine Water	10.00	28-28	N/C
1550'-5000'	Cut Brine	8.8 0-9.20	28-28	N/C
5000'-6572'	Cut Brine	8.60	32-35	N/C
6572'-10643'	Cut Brine	9.10	32-35	<12

Sufficient mud material(s) to maintain mud properties, control lost circulation and contain a blow out will be available at the well site during drilling operations. Rig personnel will check mud hourly.

7. EVALUATION PROGRAM: *See COA*

Samples: Every 10' from intermediate casing to TD

Logging: Platform Express; CNL/LDT/NGT TD to intermediate casing, CNL/GR TD to surface, DLL-MSFL TD to surface casing, BHC-Sonic TD to surface casing, Horizontal-MWD-GR

Coring: None anticipated

DST's: None Anticipated

Mudlogging: Yes

8. ABNORMAL CONDITIONS, BOTTOM HOLE PRESSURE, AND POTENTIAL HAZARDS:

Maximum Anticipated BHP:

0'-400'	190 PSI
400'-1700'	800 PSI
1700'-6290'	2943 PSI

Abnormal Pressures Anticipated: None

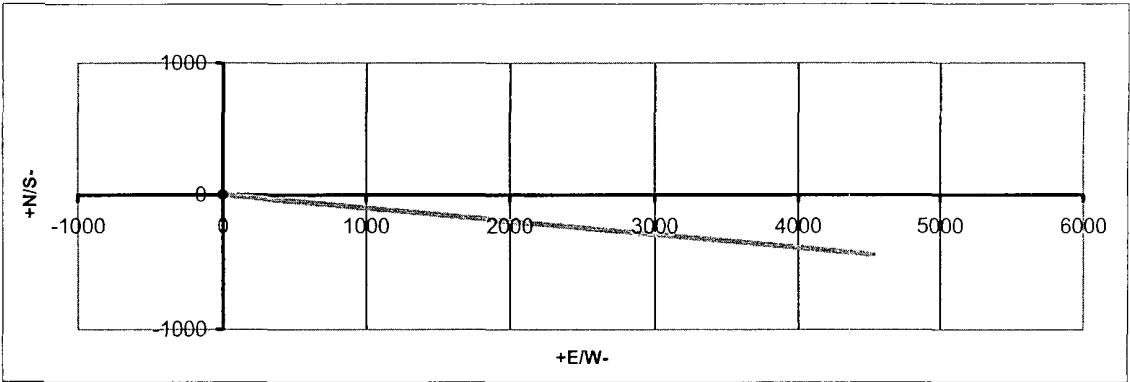
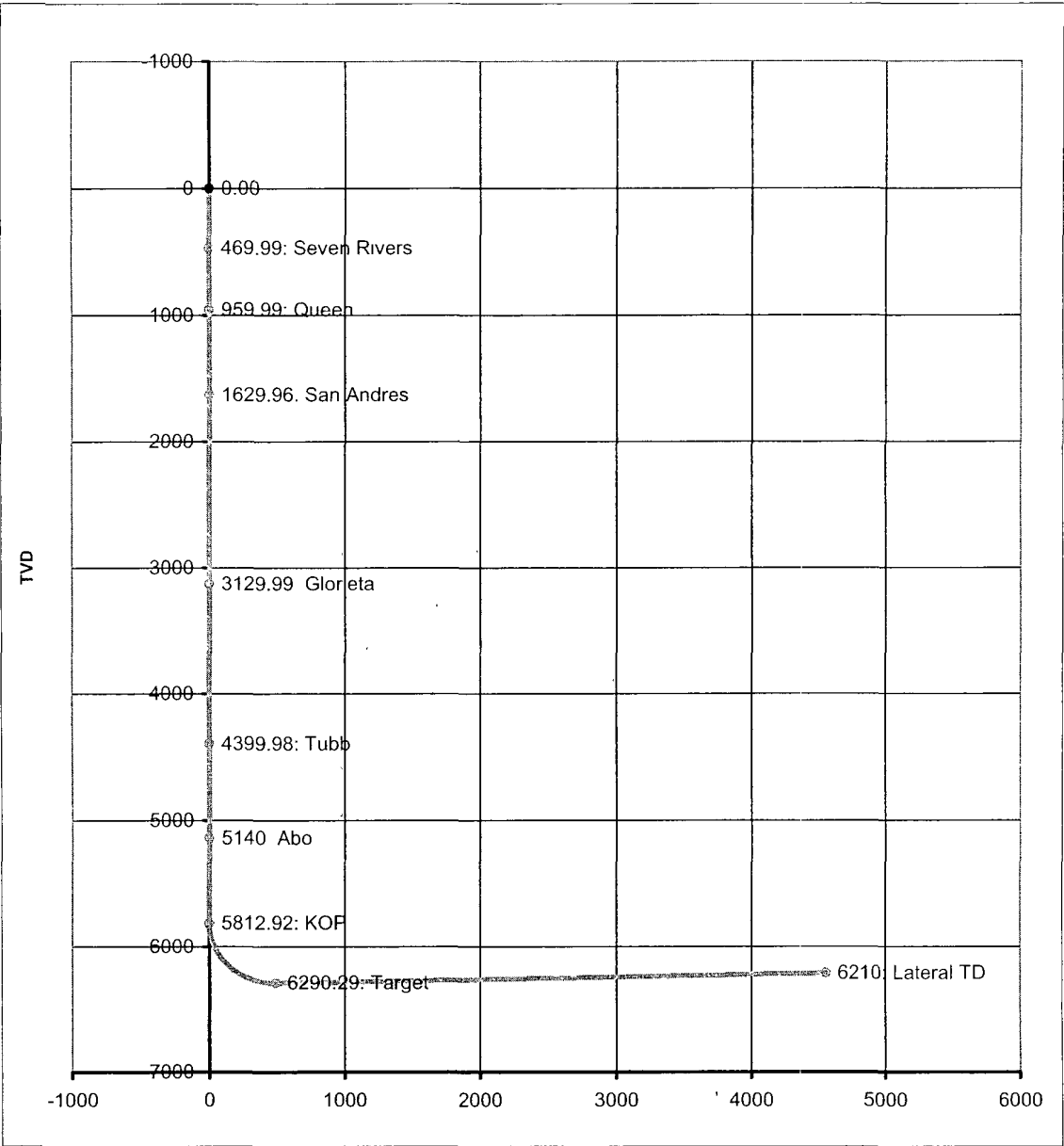
Lost Circulation Zones Anticipated: None.

H2S Zones Anticipated: None Anticipated

Maximum Bottom Hole Temperature: 135 F

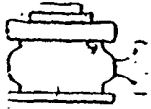
9. ANTICIPATED STARTING DATE:

Plans are to drill this well as soon as possible after receiving approval. It should take approximately 60 days to drill the well with completion taking another 20 days.



Co: 0	Units: Feet, ° 1100ft	VS Az: 95.58	Tgt TVD: 6210.00
Drillers: 0	Elevation:	Tgt Radius: 0.00	Tgt MD: 0.00
Well Name: Groovy BQV Federal Com 1H	Northing:	Tgt N/S: -443.12	Tgt Displ.: 0.00
Location: 0	Easting:	Tgt E/W: 4535.77	Method: Minimum Curvature

No.	MD	CL	Inc.	Azi.	TVD	VS	+N/S-	+E/W-	BR	WR	DLS	Comments
0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
1	469.99	469.99	0.00	0.00	469.99	0.00	0.00	0.00	0.00	0.00	0.00	Seven Rivers
2	959.99	490.00	0.00	0.00	959.99	0.00	0.00	0.00	0.00	0.00	0.00	Queen
3	1629.96	669.97	0.00	0.00	1629.96	0.00	0.00	0.00	0.00	0.00	0.00	San Andres
4	3129.99	1500.03	0.00	0.00	3129.99	0.00	0.00	0.00	0.00	0.00	0.00	Glòrieta
5	4399.98	1269.99	0.00	0.00	4399.98	0.00	0.00	0.00	0.00	0.00	0.00	Tubb
6	5140.00	740.02	0.00	0.00	5140.00	0.00	0.00	0.00	0.00	0.00	0.00	Abo
7	5812.92	672.91	0.00	95.58	5812.92	0.00	0.01	0.00	0.00	14.20	0.00	KOP
8	5900.00	87.08	10.45	95.58	5899.52	7.92	-0.76	7.88	12.00	0.00	12.00	
9	6000.00	100.00	22.45	95.58	5995.25	36.18	-3.51	36.01	12.00	0.00	12.00	
10	6100.00	100.00	34.45	95.58	6083.01	83.74	-8.14	83.34	12.00	0.00	12.00	
11	6200.00	100.00	46.45	95.58	6158.97	148.50	-14.43	147.79	12.00	0.00	12.00	
12	6300.00	100.00	58.45	95.58	6219.80	227.63	-22.13	226.56	12.00	0.00	12.00	
13	6400.00	100.00	70.45	95.58	6262.86	317.69	-30.88	316.19	12.00	0.00	12.00	
14	6500.00	100.00	82.45	95.58	6286.24	414.73	-40.32	412.76	12.00	0.00	12.00	
15	6572.33	72.33	91.13	95.58	6290.29	486.88	-47.34	484.57	12.00	0.00	12.00	Target
16	10643.61	4071.28	91.13	95.58	6210.00	4557.36	-443.12	4535.77	0.00	0.00	0.00	Lateral TD

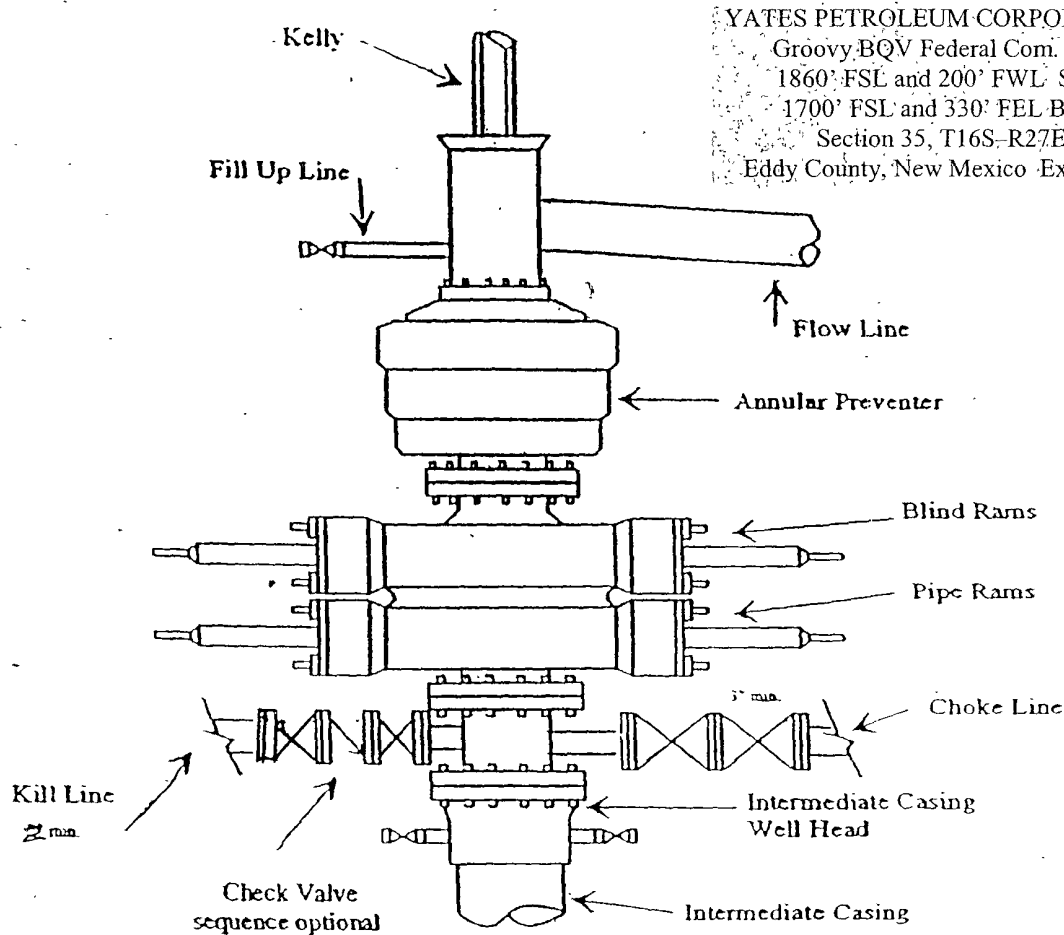


Yates Petroleum Corporation

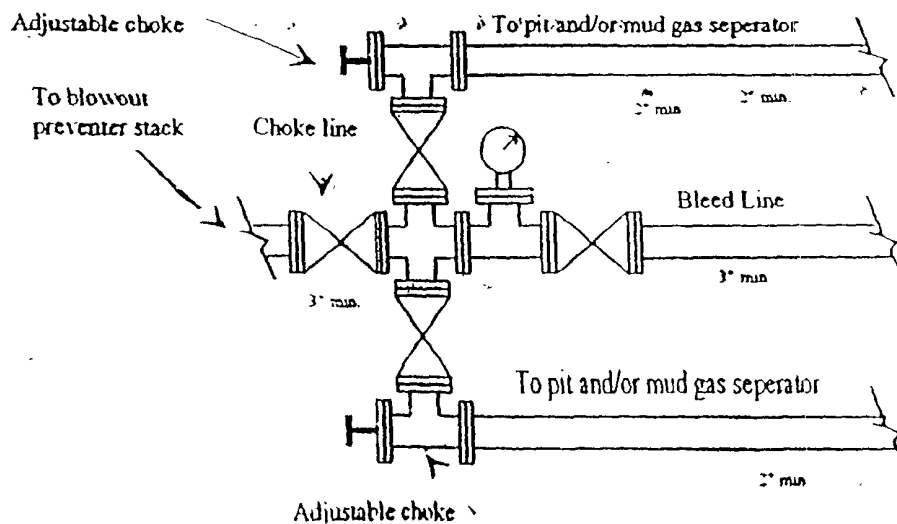
BOP-3

Typical 3,000 psi Pressure System
Schematic

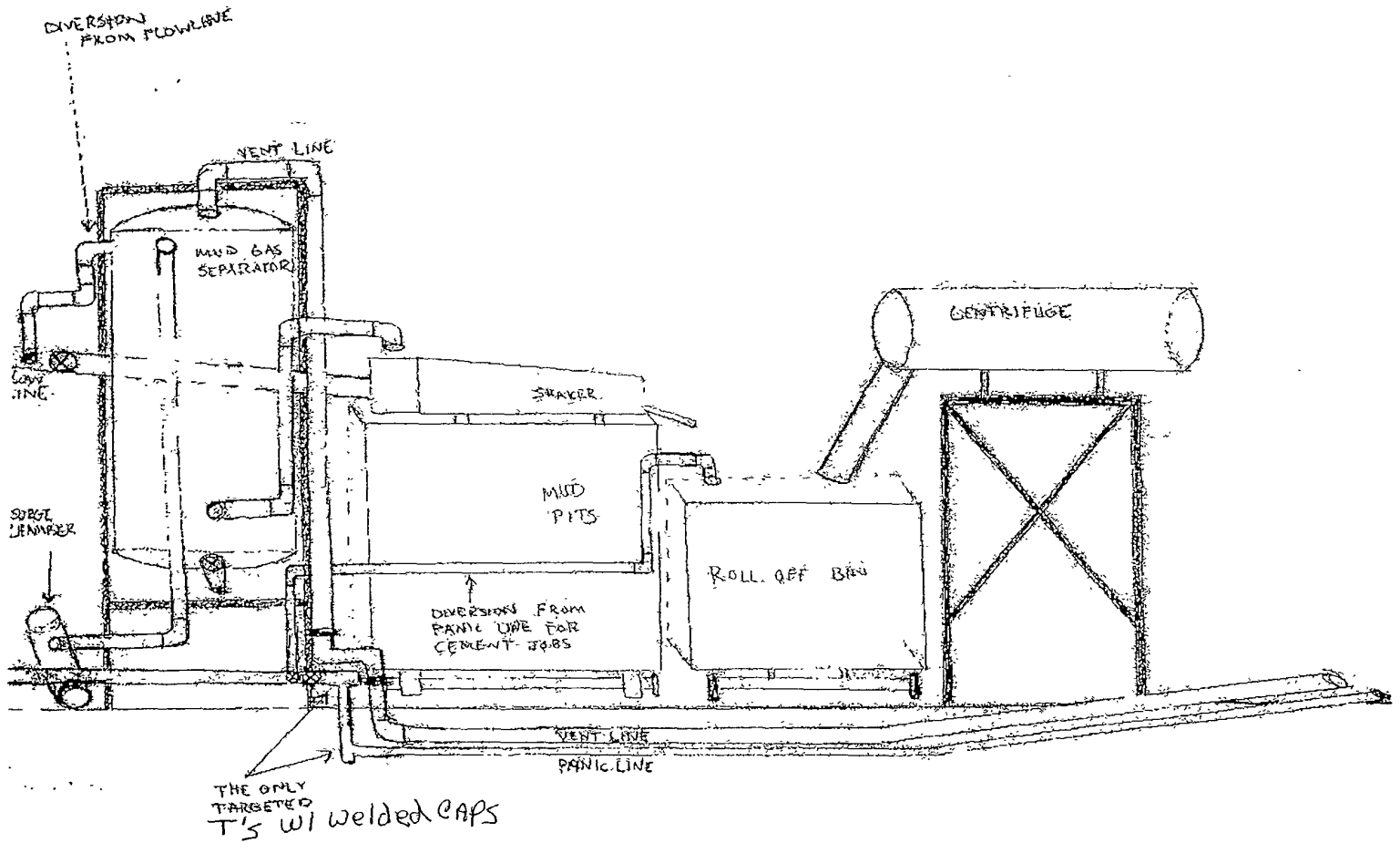
Annular with Double Ram Preventer Stack



Typical 3,000 psi choke manifold assembly with at least these minimum features



YATES PETROLEUM CORPORATION
Piping from Choke Manifold
to the Closed-Loop Drilling Mud System



DISTRICT I --- CHECKLIST FOR INTENTS TO DRILL

Operator YATES PETROLEUM CORP OGRID # 25575
 Well Name & # GROOVY BRU FED COM #1H Surface Type (F) (S) (P)
 Location: UL L Sect 35, Township 16 s, RNG 27 e,
BM I 33 16 27 Sub-surface Type (F) (S) (P)

A. Date C101 rec'd / / C101 reviewed / /

B. 1 Check mark, Information is OK on Forms:

OGRID X BONDING FED PROP CODE X WELL # X SIGNATURE

2. Inactive Well list as of: 9/23/11 # wells 2358 # Inactive wells 4

a. District Grant APD but see number of inactive wells:

No letter required X; Sent Letter to Operator , to Santa Fe

3. Additional Bonding as of: 9/23/11

a. District Denial because operator needs addition bonding.

No Letter required X; Sent Letter to Operator , To Santa Fe

b. District Denial because of inactive well list and Financial Assurance.

No Letter required X; Sent Letter to Operator , To Santa Fe

C. C102 YES , NO , Signature

1. Pool EMPIRE, WC, NW, Code 97250

a. Dedicated acreage 160, What Units FJKL

b. SUR. Location Standard ; Non-Standard Location X PP STANDARD

c. Well shares acres: Yes , No , # of wells plus this well #

2. 2nd. Operator in same acreage, Yes , No

Agreement Letter , Disagreement letter

3. Intent to Directional Drill Yes X, No

a. Dedicated acreage 160, What Units FJKL

b. Bottomhole Location Standard X, Non-Standard Bottomhole

4. Downhole Commingle: Yes , No X

a. Pool #2 , Code , Acres

Pool #3 , Code , Acres

Pool #4 , Code , Acres

5. POTASH Area Yes , No FED

D. Blowout Preventer Yes X, No

E. H2S Yes , No X

F. C144 Pit Registration Yes , No

G. Does APD require Santa Fe Approval:

1. Non-Standard Location: Yes , No X, NSL #

2. Non-Standard Proration: Yes , No X, NSP #

3. Simultaneous Dedication: Yes , No X, SD #

Number of wells Plus #

4. Injection order Yes , No X; PMX # or WFX #

5. SWD order Yes , NO X; SWD #

6. DHC from SF ; DHC-HOB ; Holding

7. OCD Approval Date / /

API #30-0 15-39448

8. Reviewers