

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
NMOC-ARTESIA

FORM APPROVED
OMB No. 1004-0137
Expires March 31, 2007

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or reenter an abandoned well. Use Form 3160-3 (APD) for such proposals.

5. Lease Serial No.
NM-662 & NM-81708

6. If Indian, Allottee or Tribe Name

7. If Unit or CA/Agreement, Name and/or No

8. Well Name and No
Palo Verde AJV Federal Com #1H

9. API Well No.
30-015-26907

10. Field and Pool, or Exploratory Area
Wildcat Yeso

11. County or Parish, State
Eddy County, New Mexico

SUBMIT IN TRIPLICATE - Other instructions on page 2.

1. Type of Well
 Oil Well Gas Well Other

2. Name of Operator
Yates Petroleum Corporation 025575

3a. Address
105 South Fourth Street, Artesia, NM 88210

3b. Phone No. (include area code)
(505) 748-1471

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)
760' FSL and 660' FWL Surface Hole Location, UL M
760' FSL and 330' FEL Bottom Hole Location, UL P
Section 24, T20S-R24E

TYPE OF SUBMISSION	TYPE OF ACTION
<input checked="" type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair
	<input checked="" type="checkbox"/> Change Plans
	<input type="checkbox"/> Convert to Injection
	<input type="checkbox"/> Deepen
	<input type="checkbox"/> Fracture Treat
	<input type="checkbox"/> New Construction
	<input type="checkbox"/> Plug and Abandon
	<input type="checkbox"/> Plug Back
	<input type="checkbox"/> Production (Start/Resume)
	<input type="checkbox"/> Reclamation
	<input type="checkbox"/> Recomplete
	<input type="checkbox"/> Temporarily Abandon
	<input type="checkbox"/> Water Disposal
	<input type="checkbox"/> Water Shut-Off
	<input type="checkbox"/> Well Integrity
	<input checked="" type="checkbox"/> Other change to horizontal well

13 Describe Proposed or Completed Operation Clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof If the proposal is to deepen directionally or recompleat horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones Attach the Bond under which the work will be performed or provide the Bond No on file with BLM/BIA. Required subsequent reports must be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompleat in a new interval, a Form 3160-4 must be filed once testing has been completed Final Abandonment Notices must be filed only after all requirements, including reclamation, have been completed, and the operator has

Yates Petroleum Corporation wishes to change this well to a horizontal well with a bottom hole location of 760' FSL & 330' FEL. See attached drilling plans.

**SEE ATTACHED FOR
CONDITIONS OF APPROVAL**

RECEIVED
FEB 06 2012
NMOC-ARTESIA

APPROVED
FEB 13 2012
[Signature]
BUREAU OF LAND MANAGEMENT
CARLSBAD FIELD OFFICE

14. I hereby certify that the foregoing is true and correct

Printed Name Cy Cowan Title Land Regulatory Agent

Signature *[Signature]* Date December 5, 2011

THIS SPACE FOR FEDERAL OR STATE USE

Approved by Title Date

Conditions of approval, if any, are attached Approval of this notice 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 conduct operations thereon Office

Title 18 U.S.C. Section 1001, make it a crime for any person knowingly and willfully 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.

(Instructions on reverse)

JCS 2/10/2012

DISTRICT I
1626 N. French Dr., Hobbs, NM 88240
Phone (575) 898-6161 Fax (575) 898-0720

DISTRICT II
1301 W. Grand Avenue, Artesia, NM 88210
Phone (575) 748-1283 Fax (575) 748-9720

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410
Phone (505) 834-8178 Fax (505) 834-8170

DISTRICT IV
1220 S. St. Francis Dr., Santa Fe, NM 87505
Phone (505) 476-3460 Fax (505) 476-8462

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised August 1, 2011

Submit one copy to appropriate
District Office

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, New Mexico 87505

WELL LOCATION AND ACREAGE DEDICATION PLAT

AMENDED REPORT

API Number 30-015-26907	Pool Code 97451	Pool Name LONG DRAW; GLOBIETA- Wildcat Yeso
Property Code 12621	Property Name PALO VERDE "AJV" FEDERAL COM	Well Number 1H
OGRID No. 025575	Operator Name YATES PETROLEUM CORP.	Elevation 3633'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
M	24	20 S	24 E		760	SOUTH	660	WEST	EDDY

Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
P	24	20 S	24 E		760	SOUTH	330	EAST	EDDY

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.
160			

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

<p>SURFACE LOCATION Lat - N 32°33'14.30" Long - W 104°32'54.01" NMSPC- N 565332.928 E 475092.810 (NAD-83)</p> <p>Penetration Point 781' FSL & 801' FWL</p> <p>Producing Zone</p>	<p>OPERATOR CERTIFICATION <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 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>Signature _____ Date 12/5/11 Cy Cowan Printed Name cy@yatespetroleum.com Email Address</p> <p>SURVEYOR CERTIFICATION <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>DECEMBER 1, 2011 Date Surveyed Signature & Seal of Professional Surveyor Certificate No. 2577 Jones 7977 BASIN SURVEYS 25778</p>
<p>PROPOSED BOTTOM HOLE LOCATION Lat - N 32°33'13.29" Long - W 104°32'01.82" NMSPC- N 565221.917 E 479559.770 (NAD-83)</p>	

Project Area

Submit to Appropriate District Office
 State Lease - 4 copies
 Fee Lease - 3 copies

State of New Mexico
 Energy, Minerals and Natural Resources Department

Form C-102
 Revised 1-1-89

OIL CONSERVATION DIVISION

P.O. Box 2088
 Santa Fe, New Mexico 87504-2088

DISTRICT I
 P.O. Box 1980, Hobbs, NM 88240

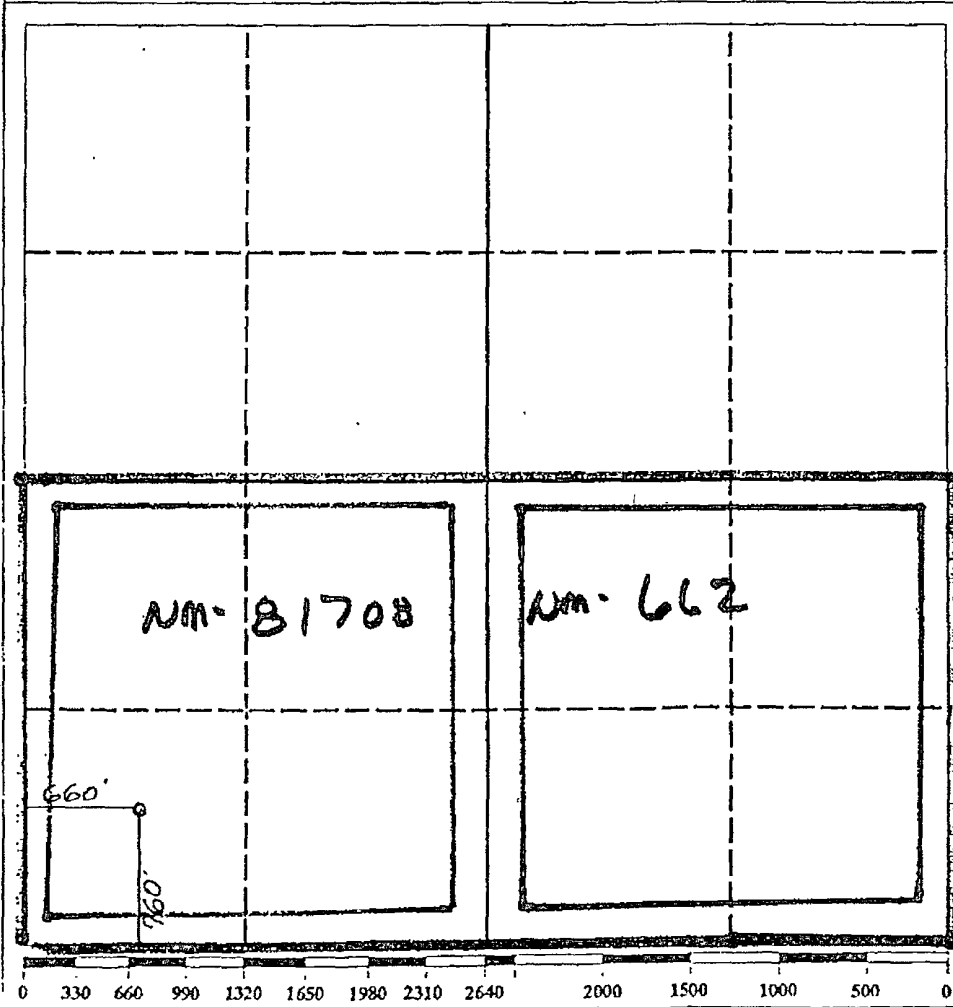
DISTRICT II
 P.O. Drawer DD, Artesia, NM 88210

DISTRICT III
 1000 Rio Brazos Rd., Aztec, NM 87410

WELL LOCATION AND ACREAGE DEDICATION PLAT
 All Distances must be from the outer boundaries of the section

30-015 26907

Operator YATES PETROLEUM CORPORATION			Lease PALO VERDE AJV FEDERAL COM		Well No. 1
Unit Letter M	Section 24	Township 20 SOUTH	Range 24 EAST	County EDDY COUNTY, N.M.	
Actual Footage Location of Well:					
760 feet from the SOUTH line and		660 feet from the WEST line			
Ground level Elev. 3639.	Producing Formation Canyon	Pool South Dagger Draw Upper Penn	Dedicated Acreage: 320 Acres		
<p>1. Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.</p> <p>2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).</p> <p>3. If more than one lease of different ownership is dedicated to the well, have the interest of all owners been consolidated by communitization, unitization, force-pooling, etc.? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No If answer is "yes" type of consolidation <u>Communitization</u></p> <p>If answer is "no" list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.)</p> <p>No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interest, has been approved by the Division.</p>					



OPERATOR CERTIFICATION
 I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Signature: *Ken Boardman*

Printed Name: **KEN BOARDMAN**

Position: **LANDMAN**

Company: **Yates Pet. Corp.**

Date: **12-3-91**

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 knowledge and belief.

Date Surveyed: **NOVEMBER 27th 1991**

Signature & Seal of Professional Surveyor: *[Signature]*

Professional Seal: **NEW MEXICO**
 REGISTRY OF PROFESSIONAL SURVEYORS
 5112
 CERTIFICATE NO. **3012**
 NM PE&S PROFESSIONAL SURVEYOR

YATES PETROLEUM CORPORATION
Palo Verde AJV Federal Com #1
760' FSL and 660' FWL, Surface Hole
760' FSL and 330' FEL, Bottom Hole
Section 24-T20S-R24E
Eddy County, New Mexico

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

Sand Andres	643'	oil/gas
Glorieta	2216'	oil
Yeso	2319'	oil
TVD	2745'	
MTD	Lateral	6894'
2. The estimated depths at which anticipated water, oil or gas formations are expected to be encountered:

Water: Already Cased Off
Oil or Gas: See above

3. Pressure Control Equipment: 3000 PSI BOPE with a 13.625" opening will be installed on the 13.375" casing and also on the 9 5/8" casing. Pressure tests to 3000 PSI and held for 30 minutes 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>
14 3/4"	9 5/8"	36#	J-55	ST&C	0-1093'	-inplace
8 3/4"	7"	26#	J-55	LT&C	0-1172'	-in place
8 3/4"	7	23#	J-55	LT&C	1172'-4917'	-in place
8 3/4"	7	26#	J-55	LT&C	4917'-7549'	-in place
8 3/4"	7	26#	N-80	LT&C	7549'-8300'	-in place

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

**After the pulling unit has set all the necessary plugs, it will be moved off and a drilling rig will be moved in and rigged up. A whipstock will be set and a window will be milled in the casing at 2160' MD. Will time drill and reach kick off point at 2178' in a 6 1/8" hole. Build curve to landing at 2900' MD (2655" TVD) and then drill a 6 1/8" lateral to TD at 6894 MD (2745' TVD). A packers and ports completion system will be run in the lateral. The packers and ports system will be hung off with a production packer at 2000'. The liner is 4 1/2" 11.6# L-80 casing and will be set at 178' above the kick off point. The liner will not require any cement. Penetration point of producing formation will be encountered at 781' FSL & 801' FWL. Deepest TVD in the well will be in the lateral.

**SEE ATTACHED FOR
CONDITIONS OF APPROVAL**

B. MUD PROGRAM: From 2180' to 6935' will use cut brine, weight 8.8-9.3 and viscosity 28-34.

C. CEMENTING PROGRAM:

Surface Casing: Originally cemented with 400 sacks and circulated to surface.

Intermediate Casing: Originally cemented with 2050 sacks and cement circulated to surface.

Production Casing: No cement required.

Maximum Anticipated BHP: 1425 PSI

Abnormal Pressure Anticipated: None

Lost Circulation Zones Anticipated: None

H2S Zones Anticipated: None

Maximum Bottom Hole Temperature: 80 F

PALO VERDE AJV FED. Com # 1H

WELL NAME: ~~Federal FC Com # 2H~~ FIELD: Cemetery Wolfcamp YESD

LOCATION: 760' FSL & 660' FWL of Section 24-T20S-R24E Eddy Co., NM

GL: 3,639' ZERO: 16' KB: 3,655'

SPUD DATE: 2/20/92 COMPLETION DATE: 1/07/98

COMMENTS: API No.: 30-015-26907
(formally: Palo Verde AJV Fed Com # 1)

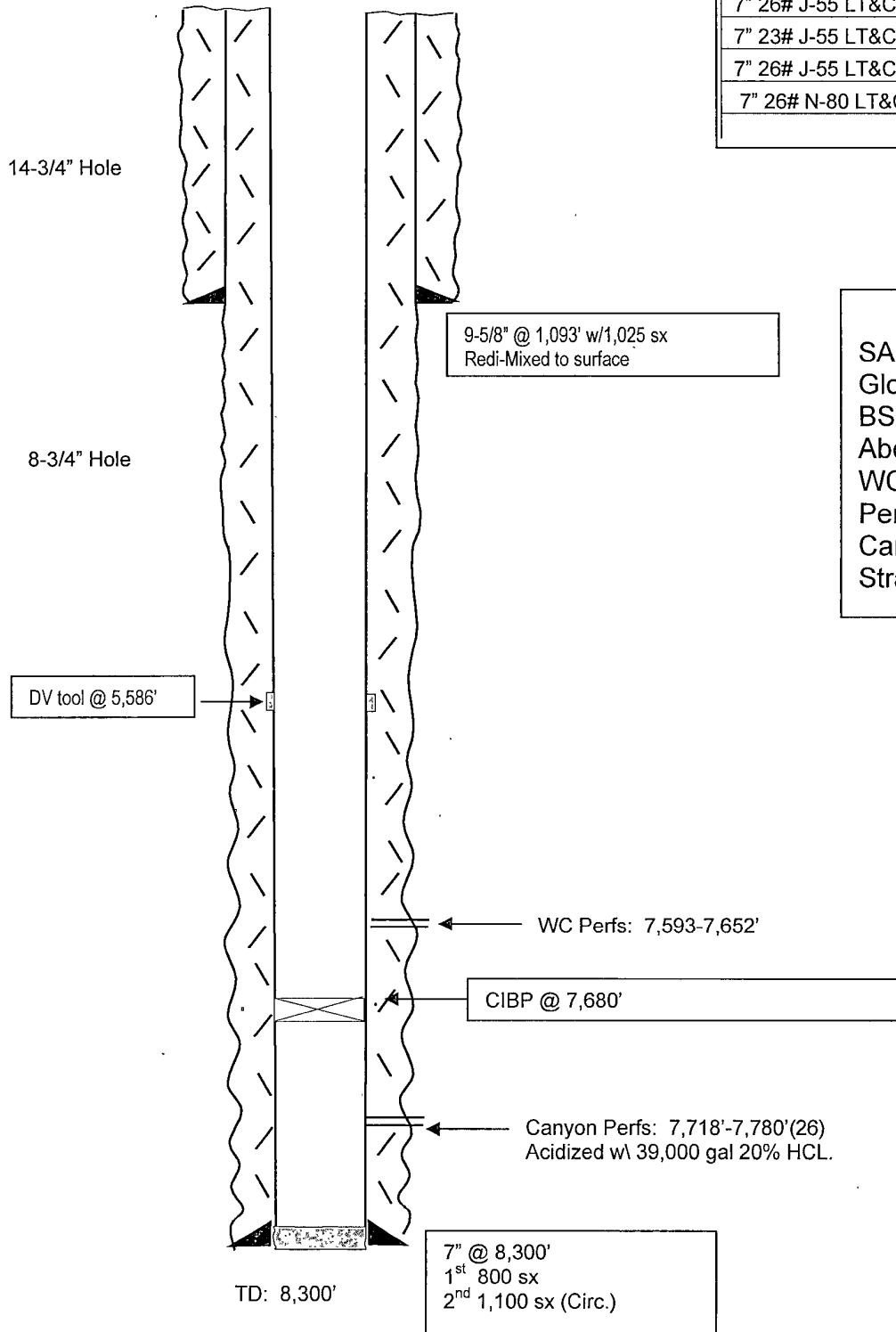
CASING PROGRAM

9-5/8" 36# J-55	1,093'
7" 26# J-55 LT&C	1,172'
7" 23# J-55 LT&C	3,745'
7" 26# J-55 LT&C	2,632'
7" 26# N-80 LT&C	705'
	8,300'

Before

TOPS

SA	643'
Glorieta	2,216'
BS	3,764'
Abo	5,974'
WC	6,058'
Penn	7,280'
Canyon	7,580'
Strawn	8,026'



Not to Scale
11/21/11
Hill

PALO VERDE AJV Fed Com #1H

WELL NAME: Federal FC Com #2H FIELD: Cemetery Wolfcamp YESO

LOCATION: 760' FSL & 660' FWL of Section 24-T20S-R24E Eddy Co., NM

GL: 3,639' ZERO: 16' KB: 3,655'

SPUD DATE: 2/20/92 COMPLETION DATE: 1/07/98

COMMENTS: API No.: 30-015-26907
(formally: Palo Verde AJV Fed Com # 1)

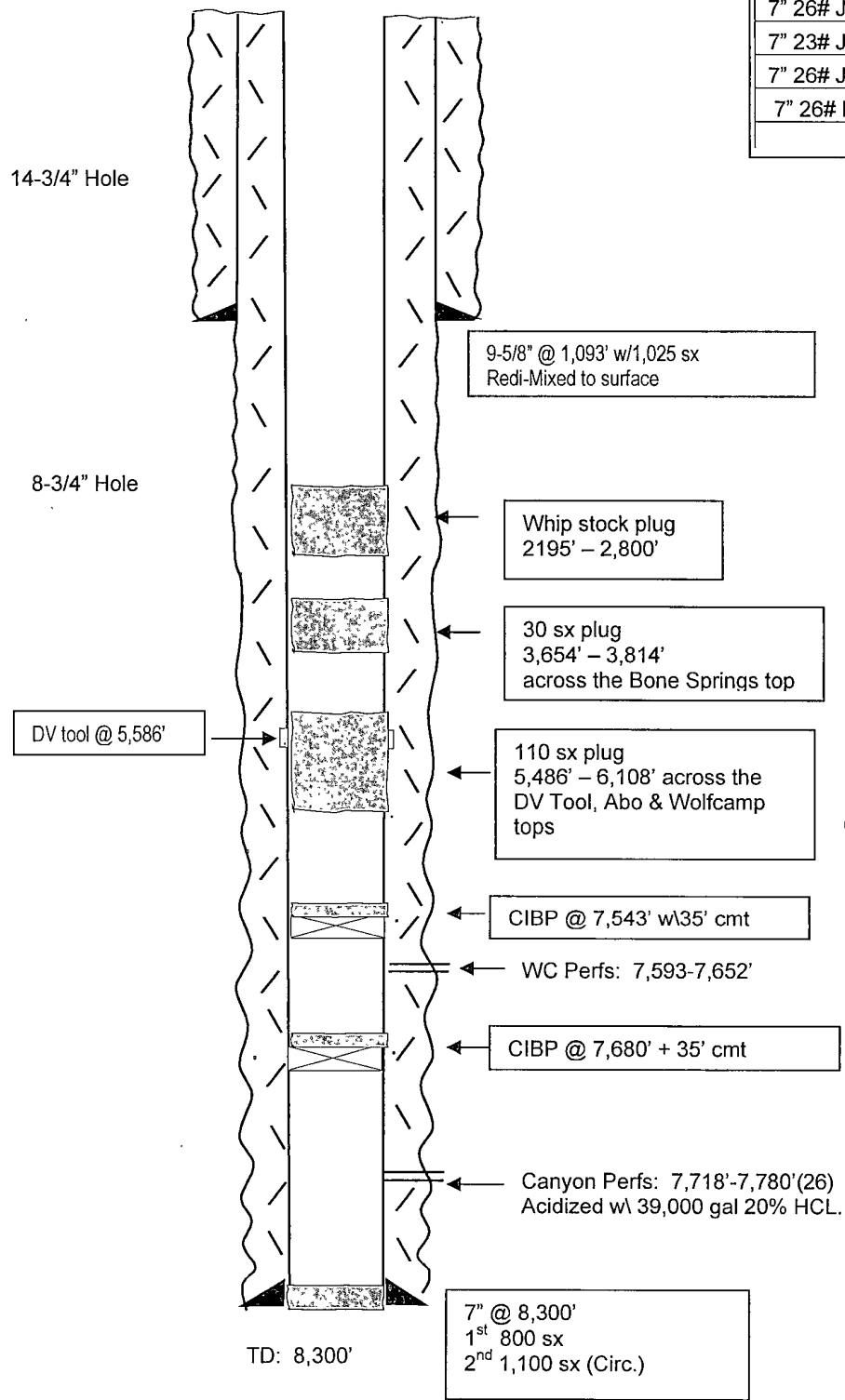
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	8,300'

After

TOPS

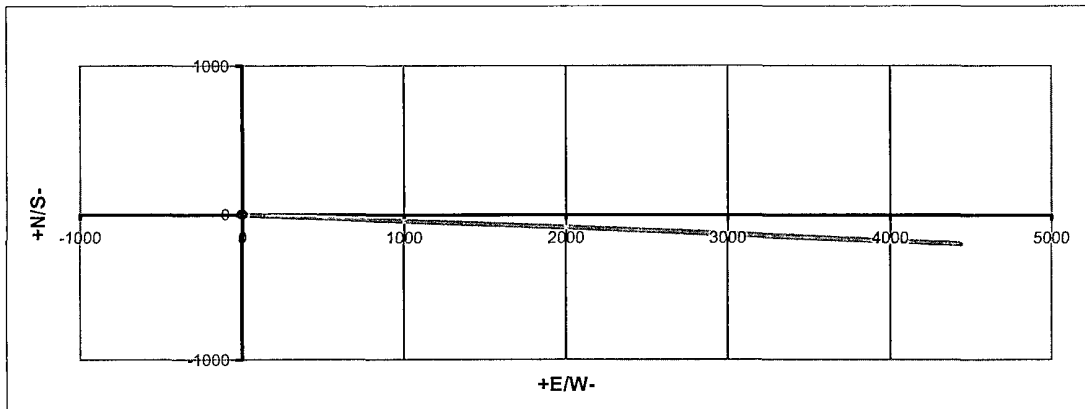
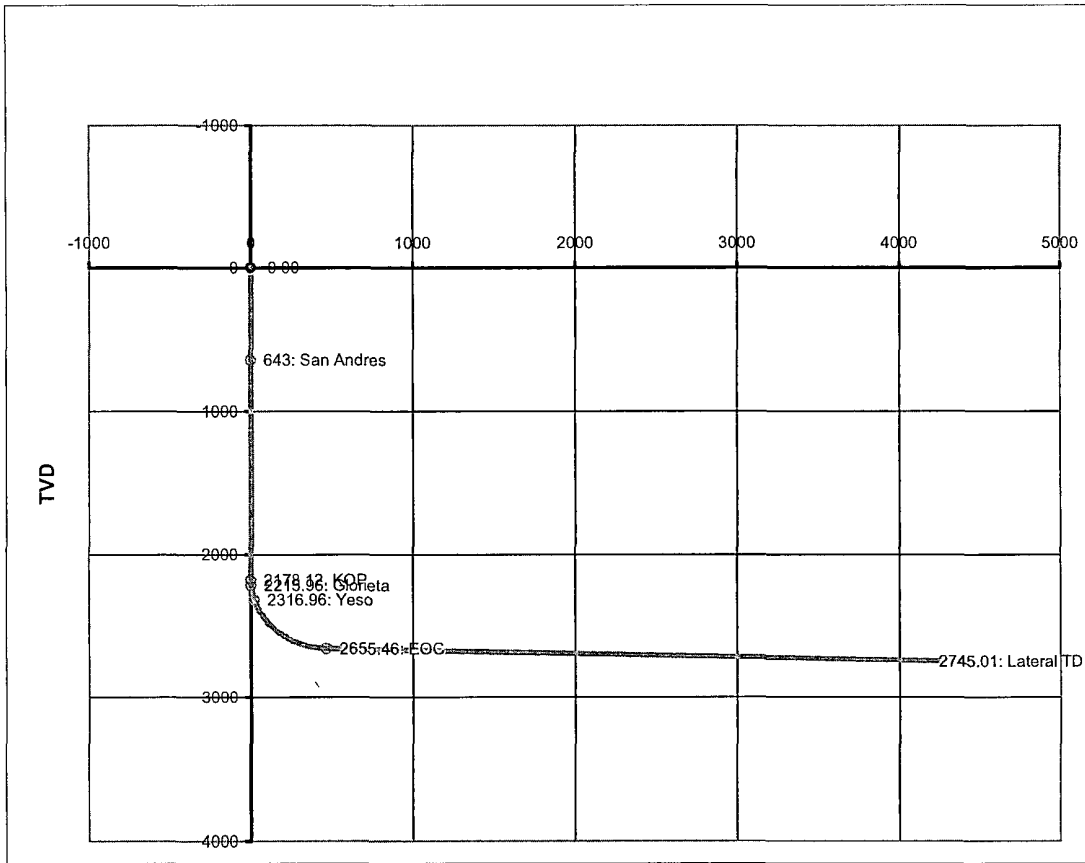
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Penn	7,280'
Canyon	7,580'
Strawn	8,026'



** See COA on Sunday Dated 12/02/2011*

[Signature]

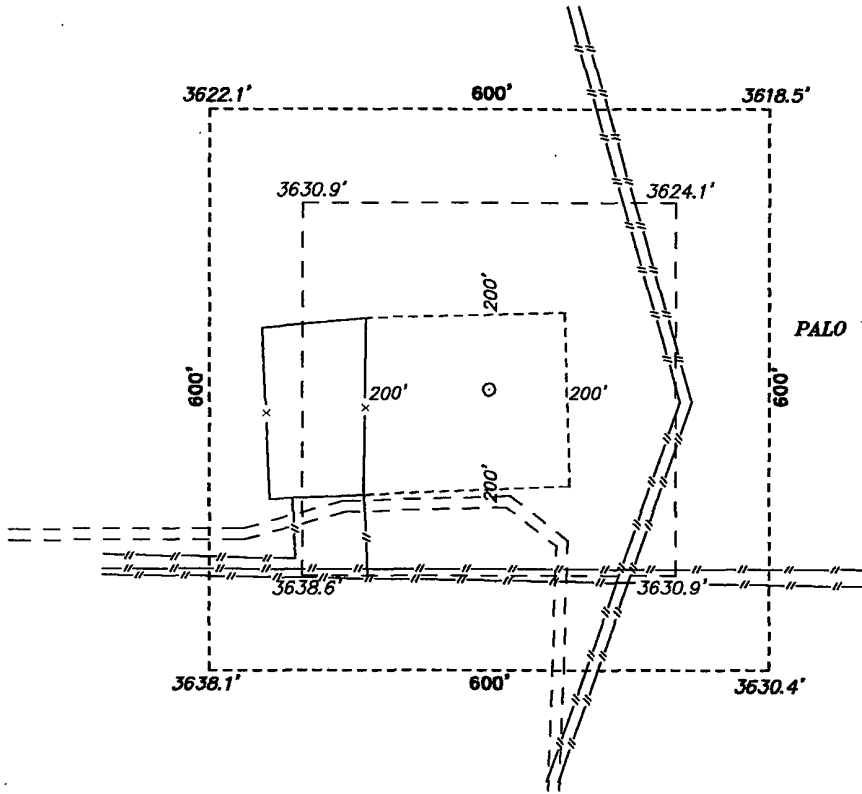
Not to Scale
 11/21/11
 Hill



Co: Yates Petroleum Corporation	Units: Feet, ° 7100ft	VS Az: 92.64	Tgt TVD: 2745.00
Drillers: 0	Elevation:	Tgt Radius: 0.00	Tgt MD: 0.00
Well Name: Palo Verde AJV Fed Com 1H	Northing:	Tgt N/S: -204.54	Tgt Displ.: 0.00
Location: 0	Easting:	Tgt E/W: 4438.15	Method: Minimum Curvature

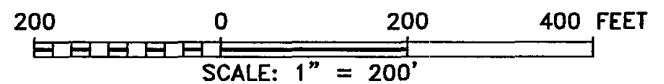
No.	MD	CL	Inc	Azi	TVD	VS	N/S	E/W	BR	WR	DLS	Comments
0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
1	643.00	643.00	0.00	0.00	643.00	0.00	0.00	0.00	0.00	0.00	0.00	San Andres
2	2178.12	1535.12	0.00	92.64	2178.12	0.00	0.00	0.00	0.00	6.03	0.00	KOP
3	2200.00	21.88	2.63	92.64	2199.99	0.50	-0.02	0.50	12.00	0.00	12.00	
4	2216.00	16.00	4.55	92.64	2215.96	1.50	-0.07	1.50	12.00	0.00	12.00	Glorieta
5	2300.00	84.00	14.63	92.64	2298.68	15.47	-0.71	15.46	12.00	0.00	12.00	
6	2319.00	19.00	16.91	92.64	2316.96	20.63	-0.95	20.61	12.00	0.00	12.00	Yeso
7	2400.00	81.00	26.63	92.64	2392.10	50.63	-2.33	50.58	12.00	0.00	12.00	
8	2500.00	100.00	38.63	92.64	2476.17	104.45	-4.81	104.34	12.00	0.00	12.00	
9	2600.00	100.00	50.63	92.64	2547.21	174.57	-8.03	174.38	12.00	0.00	12.00	
10	2700.00	100.00	62.63	92.64	2602.12	257.93	-11.87	257.65	12.00	0.00	12.00	
11	2800.00	100.00	74.63	92.64	2638.50	350.88	-16.15	350.51	12.00	0.00	12.00	
12	2900.00	100.00	86.63	92.64	2654.76	449.36	-20.69	448.89	12.00	0.00	12.00	
13	2917.37	17.37	88.71	92.64	2655.46	466.71	-21.48	466.22	12.00	0.00	12.00	EOC
14	6894.52	3977.15	88.71	92.64	2745.01	4442.86	-204.54	4438.15	0.00	0.00	0.00	Lateral TD

SECTION 24, TOWNSHIP 20 SOUTH, RANGE 24 EAST, N.M.P.M.,
 EDDY COUNTY, NEW MEXICO.



YATES PETROLEUM CORP.
PALO VERDE "AJV" FEDERAL COM #1H
ELEV. - 3633'

Lat - N 32°33'14.30"
 Long - W 104°32'54.01"
 NMSPC - N 565332.928
 E 475092.810
 (NAD-83)



YATES PETROLEUM CORP.

REF: PALO VERDE "AJV" FEDERAL COM #1H / WELL PAD TOPO
 THE PALO VERDE "AJV" FEDERAL COM #1H LOCATED 760'
 FROM THE SOUTH LINE AND 660' FROM THE WEST LINE OF
 SECTION 24, TOWNSHIP 20 SOUTH, RANGE 24 EAST,
 N.M.P.M., EDDY COUNTY, NEW MEXICO.

BASIN SURVEYS P.O. BOX 1786-HOBBS, NEW MEXICO

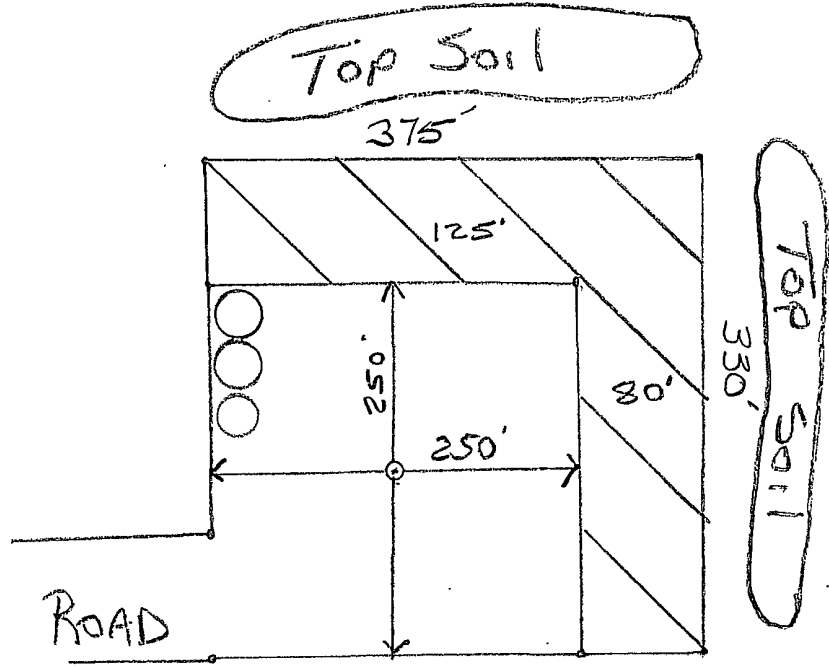
W.O. Number: 25778

Drawn By: J. SMALL

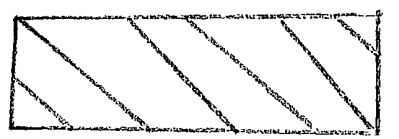
Date: 12-02-2011 | Disk: JMS 25778

Survey Date: 12-01-2011 | Sheet 1 of 1 Sheets

YATES PETROLEUM CORP.
 REF: PALO VERDE "AJV" FEDERAL COM #1H
 THE PALO VERDE "AJV" FEDERAL COM #1H LOCATED 760'
 FROM THE SOUTH LINE AND 660' FROM THE WEST LINE OF
 SECTION 24, TOWNSHIP 20 SOUTH, RANGE 24 EAST,
 N.M.P.M., EDDY COUNTY, NEW MEXICO.



Not To Scale
 Final Reclamation
 May Look Different
 THAN THIS PLAT.



Possible Reclaimed
 AREA

See
 COA

Yates Petroleum Corp.
Conditions of Approval

NM-81708: Palo Verde AJV Federal Com #1
Horizontal Well
API: 30-015-26907
Eddy County, New Mexico

1. **Rotary rig for Horizontal Lateral must be on location within 15 days of moving off workover rig, utilized to plugged back well to kick off point.**
2. Surface disturbance beyond the existing pad must have prior approval.
3. Closed loop system required.

3000 (3M) BOP to be used. All blowout preventer (BOP) and related equipment (BOPE) shall comply with reasonable well control requirements. A two ram system with a blind ram and a pipe ram designed for the size of the work string shall be adequate. Tapered work strings will require an additional pipe ram. The manifold shall comply with Onshore Oil and Gas Order #2 Attachment I (3M Diagrams of Choke Manifold Equipment). The accumulator system shall have an immediately available power source to close the rams and retain 200 psi above pre-charge. The pre-charge test shall follow requirements in Onshore Order #2.

4. Hydrogen Sulfide has been reported as a hazard in formations deeper than the proposed depth. It is recommended that monitoring equipment be onsite for potential Hydrogen Sulfide. If Hydrogen Sulfide is encountered, please report measurements and formations to the BLM.
5. Well completion procedures (i.e. Frac etc...) shall commence within 25 days of rotary rig reaching TD.
6. Subsequent completion sundry and completion report required.
7. Operator to have **well on production within 4 months** of receiving this approval.

Trash: All waste (i.e. drilling fluids, trash, salts, chemicals, sewage, gray water, etc.) created as a result of drilling operations and completion operations shall be safely contained and disposed of properly at a waste disposal facility. No waste material or fluid shall be disposed of on the well location or surrounding area.

Porto-johns and trash containers will be on-location during fracturing operations or any other crew-intensive operations

EGF 020312