

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

Form C-101
Permit 71674

State of New Mexico
Energy, Minerals and Natural Resources



Oil Conservation Division
1220 S. St Francis Dr.
Santa Fe, NM 87505

MAR 19 2008
OCD-ARTESIA

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 30-015-36230 |
| 4. Property Code 27980 | 5. Property Name RIO PENASCO JX | 6. Well No. 003 |

7. Surface Location

| | | | | | | | | | |
|---------------|---------------|-----------------|--------------|--------------|-------------------|---------------|-------------------|---------------|----------------|
| UL - Lot H | Section 35 | Township 18S | Range 25E | Lot Idn H | Feet From 1500 | N/S Line N | Feet From 1200 | E/W Line E | County EDDY |
|---------------|---------------|-----------------|--------------|--------------|-------------------|---------------|-------------------|---------------|----------------|

8. Pool Information

| | |
|---------|---|
| Chester | 0 |
|---------|---|

Additional Well Information

| | | | | |
|--|----------------------------|--|---------------------------|---|
| 9. Work Type New Well | 10. Well Type GAS | 11. Cable/Rotary | 12. Lease Type Private | 13. Ground Level Elevation 3488 |
| 14. Multiple N | 15. Proposed Depth 8860 | 16. Formation Chester | 17. Contractor | 18. Spud Date |
| Depth to Ground water 270 | | Distance from nearest fresh water well > 1000 | | Distance to nearest surface water > 1000 |
| Pit: Liner: Synthetic <input checked="" type="checkbox"/> 12 mils thick Clay <input type="checkbox"/> Pit Volume: 24000 bbls Drilling Method: Closed Loop System <input type="checkbox"/> Fresh Water <input checked="" type="checkbox"/> Brinc <input type="checkbox"/> Diesel/Oil-based <input 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 | 400 | 450 | 0 |
| Int1 | 12.25 | 8.625 | 24 | 1200 | 600 | 0 |
| Prod | 7.875 | 5.5 | 17 | 8860 | 650 | 5000 |

Casing/Cement Program: Additional Comments

Yates Petroleum Corporation proposes to drill and test the Chester and intermediate formations. Approximately 400' of surface casing will be set and cement circulated to shut off gravel and cavings. If commercial, production casing will be run and cemented. will perforate and 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"/> . Printed Name: Cy Cowan Title: Regulatory Agent Email Address: Date: 3/19/08 Phone: (575) 748-4372 | OIL CONSERVATION DIVISION | |
| | Approved By: | |
| | Approved Date: 3/26/08 Expiration Date: 3/26/10 | |
| | | |

Permit Comments

Operator: YATES PETROLEUM CORPORATION , 25575

Well: RIO PENASCO JX #003

API:

| Created By | Comment | Comment Date |
|------------|---|--------------|
| MSANDERS | MUD PROGRAM: 0-400' FW/Spud Mud; 400'-1200' FW; 1200'-7900' Cut Brine; 7900'-8860' Salt Gel/Starch. | 3/19/2008 |
| MSANDERS | BOPE PROGRAM: A 3000# BOPE will be installed on the 11 3/4" casing and tested daily. | 3/19/2008 |

DISTRICT I
1626 F. French Dr., Hobbs, NM 88240

DISTRICT II
811 South First, Artesia, NM 88210

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

DISTRICT IV
2040 South Pacheco, Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised March 17, 1999
Instruction on back
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

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

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

| | | |
|-----------------------------------|--|------------------------------|
| API Number <i>30-015-36230</i> | Pool Code | Pool Name Wildcat Chester |
| Property Code <i>27980</i> | Property Name RIO PENASCO "JX" | Well Number 3 |
| OGRID No. 025575 | Operator Name YATES PETROLEUM CORPORATION | Elevation 3488 |

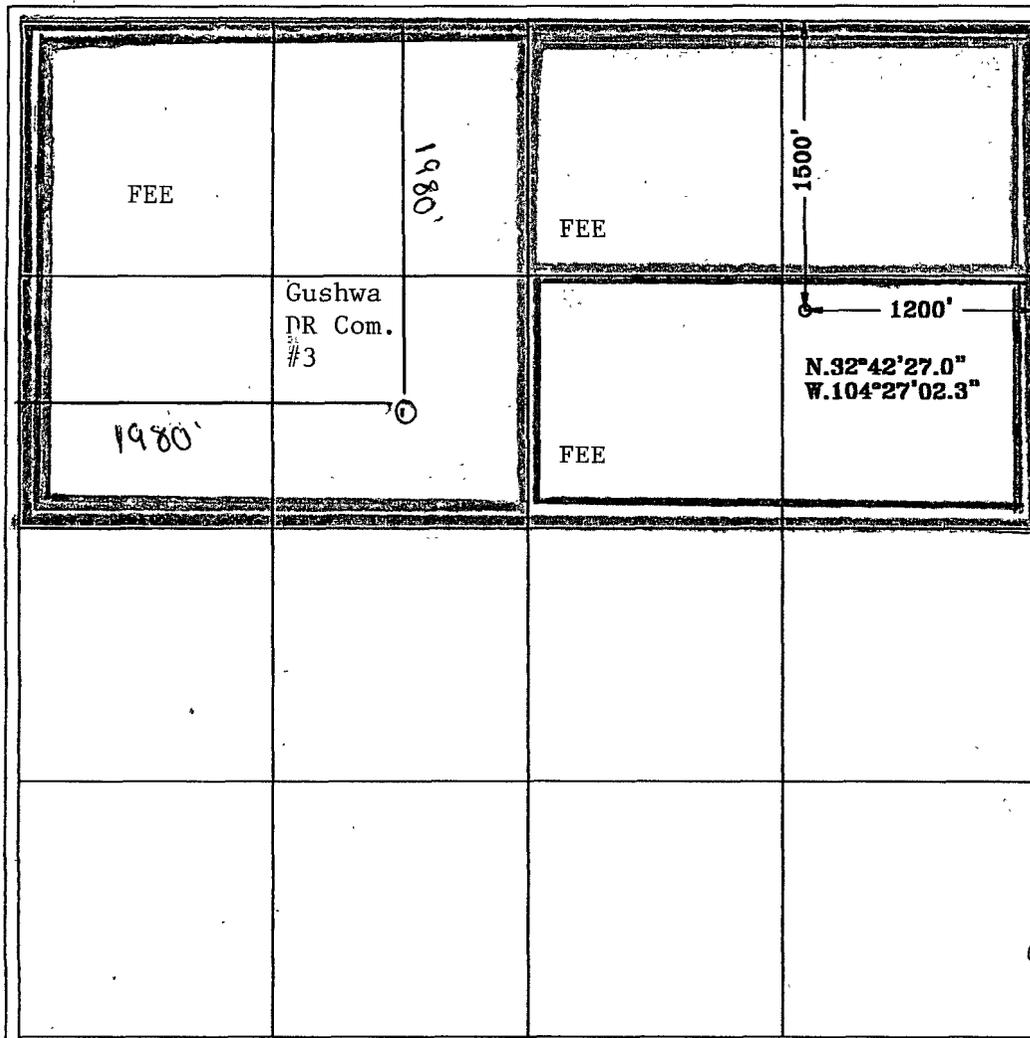
Surface Location

| UL or lot No. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| H | 35 | 18S | 25E | | 1500 | NORTH | 1200 | EAST | 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 | | | | |
|---|-----------------|--------------------|-----------|---------|---------------|------------------|---------------|----------------|--------|----------------------------|-----------------|--------------------|-----------|
| <table border="1"> <tr> <td>Dedicated Acres 320 N/2</td> <td>Joint or Infill</td> <td>Consolidation Code</td> <td>Order No.</td> </tr> </table> | | | | | | | | | | Dedicated Acres 320 N/2 | Joint or Infill | Consolidation Code | Order No. |
| Dedicated Acres 320 N/2 | Joint or Infill | Consolidation Code | 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.

Cy Cowan
Signature

Cy Cowan
Printed Name

Regulatory Agent
Title

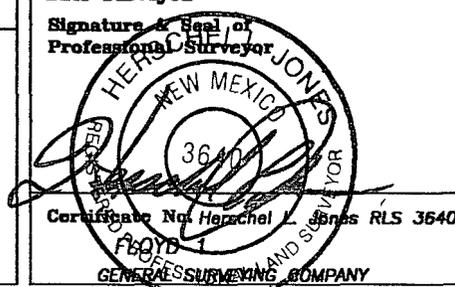
March 19, 2008
Date

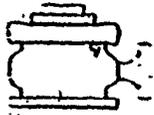
SURVEYOR CERTIFICATION

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.

4/17/2001
Date Surveyed

Signature & Seal of Professional Surveyor





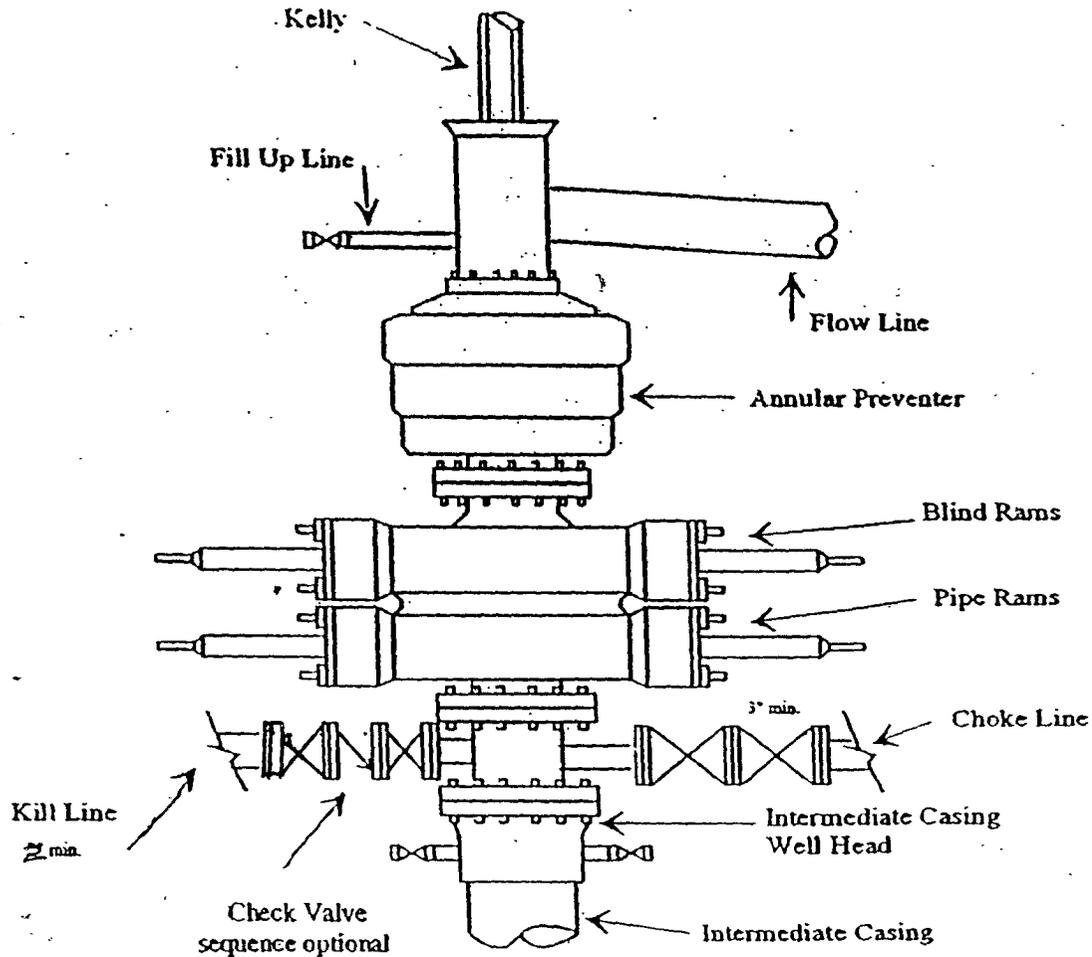
Yates Petroleum Corporation

Typical 3,000 psi Pressure System

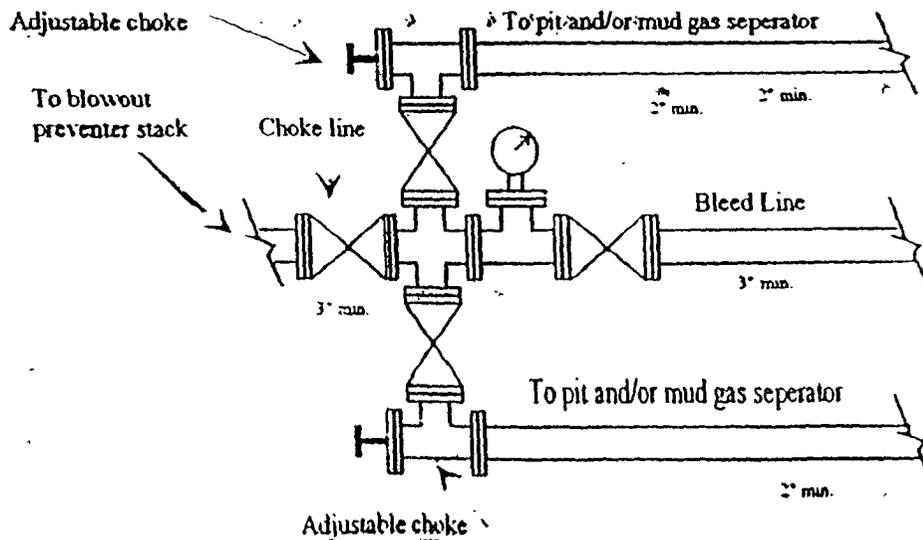
Schematic

Annular with Double Ram Preventer Stack

BOP-3



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



Yates Petroleum Corporation

**105 S. Fourth Street
Artesia, NM 88210**

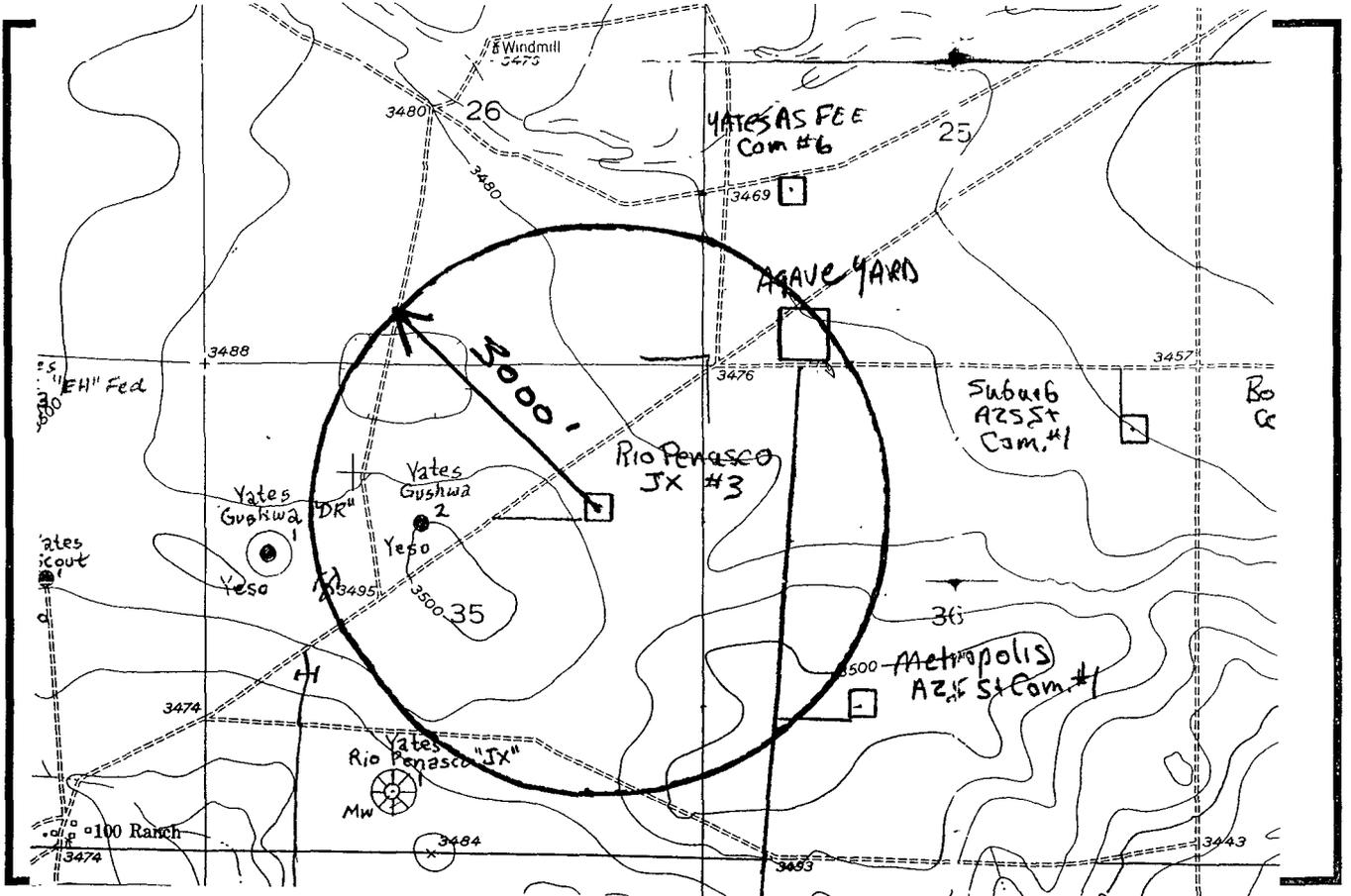
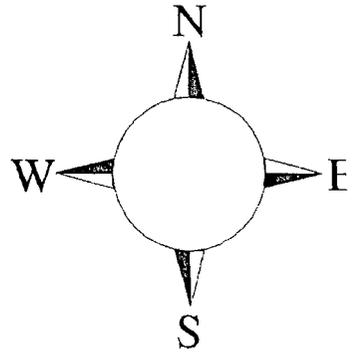
Hydrogen Sulfide (H₂S) Contingency Plan

For

**Rio Penasco JX #3
1500' FNL, 1200' FEL
Section-35, T-18S, R-25E
Eddy County NM**

Rio Penasco JX #3 Location

This is an open drilling site. H₂S monitoring equipment and emergency response equipment will be used within 500' of zones known to contain H₂S, including warning signs, wind indicators and H₂S monitor.



Assumed 100 ppm ROE = 1000
100 ppm H₂S concentration shall trigger activation of this plan

Emergency Procedures

In the case of a release of gas containing H₂S, the first responder(s) must isolate the area and prevent entry by other persons into the 100 ppm ROE. Additionally the first responder(s) must evacuate any public places encompassed by the 100 ppm ROE. First responder(s) must take care not to injure themselves during this operation. Company and/or local officials must be contacted to aid in this operation. Evacuation of the public should be beyond the 100 ppm ROE.

All responders must have training in the detection of H₂S, measures for protection against the gas, equipment used for protection and emergency response. Additionally, responders must be equipped with H₂S monitors and air packs in order to control the release. Use the "buddy system" to ensure no injuries during the response.

Ignition of Gas Source

Should control of the well be considered lost and ignition considered, take care to protect against exposure to Sulfur Dioxide (SO₂). Intentional ignition must be coordinated with the NMOCD and local officials. Additionally the NM State Police may become involved. NM State Police shall be the Incident Command on scene of any major release. Take care to protect downwind whenever there is an ignition of the gas

Characteristics of H₂S and SO₂

| Common Name | Chemical Formula | Specific Gravity | Threshold Limit | Hazardous Limit | Lethal Concentration |
|------------------|------------------|------------------|-----------------|-----------------|----------------------|
| Hydrogen Sulfide | H ₂ S | 1.189 Air = 1 | 10 ppm | 100 ppm/hr | 600 ppm |
| Sulfur Dioxide | SO ₂ | 2.21 Air = 1 | 2 ppm | N/A | 1000 ppm |

Contacting Authorities

YPC personnel must liaison with local and state agencies to ensure a proper response to a major release. Additionally, the OCD must be notified of the release as soon as possible but no later than 4 hours. Agencies will ask for information such as type and volume of release, wind direction, location of release, etc. Be prepared with all information available. The following call list of essential and potential responders has been prepared for use during a release. YPC Company response must be in coordination with the State of New Mexico's 'Hazardous Materials Emergency Response Plan' (HMER)

Yates Petroleum Corporation Phone Numbers

| | |
|---|----------------|
| YPC Office | (505) 748-1471 |
| Pinson McWhorter/Operations Manager | (505) 748-4189 |
| Darrel Atkins/Production Manager | (505) 748-4204 |
| Ron Beasley/Prod Superintendent | (505) 748-4210 |
| Al Springer/Drilling | (505) 748-4225 |
| Paul Hanes/Prod. Foreman/Roswell | (505) 624-2805 |
| Jim Krogman/Drilling Superintendent..... | (505) 748-4215 |
| Artesia Answering Service | (505) 748-4302 |
| (During non-office hours) | |

Agency Call List

Eddy County (505)

Artesia

| | |
|---|----------|
| State Police..... | 746-2703 |
| City Police..... | 746-2703 |
| Sheriff's Office | 746-9888 |
| Ambulance | 911 |
| Fire Department | 746-2701 |
| LEPC (Local Emergency Planning Committee) | 746-2122 |
| NMOCD..... | 748-1283 |

Carlsbad

| | |
|--|----------|
| State Police..... | 885-3137 |
| City Police..... | 885-2111 |
| Sheriff's Office | 887-7551 |
| Ambulance | 911 |
| Fire Department | 885-2111 |
| LEPC (Local Emergency Planning Committee)..... | 887-3798 |
| US Bureau of Land Management..... | 887-6544 |

| | |
|---|-------------------|
| New Mexico Emergency Response Commission (Santa Fe) | (505)476-9600 |
| 24 HR | (505) 827-9126 |
| National Emergency Response Center (Washington, DC) | ...(800) 424-8802 |

Other

| | |
|---|----------------------------------|
| Boots & Coots IWC | 1-800-256-9688 or (281) 931-8884 |
| Cudd Pressure Control..... | (915) 699-0139 or (915) 563-3356 |
| Halliburton | (505) 746-2757 |
| B. J. Services..... | (505) 746-3569 |
| Flight For Life -4000 24th St, Lubbock, TX | (806) 743-9911 |
| Aerocare -Rr 3 Box 49f, Lubbock, TX | (806) 747-8923 |
| Med Flight Air Amb 2301 Yale Blvd SE #D3, Albuq, NM | (505) 842-4433 |
| S B Air Med Svc 2505 Clark Carr Loop SE, Albuq, NM | (505) 842-4949 |