

District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Ave., Artesia, NM 88210
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
1220 S. St Francis Dr., Santa Fe, NM
87505

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

Form C-101
Permit 7537

APPLICATION FOR PERMIT TO DRILL

| | | |
|---|---|----------------------------|
| Operator Name and Address YATES PETROLEUM CORPORATION 105 South Fourth St. Artesia, NM 88210 | | OGRID Number 25575 |
| | | API Number 30-025-37107 |
| Property Code 34661 | Property Name MCBRIDE BEH STATE COM. | Well No. 001 |

Surface Location

| UL or Lot | Section | Township | Range | Lot Idn | Feet From | N/S Line | Feet From | E/W Line | County |
|-----------|---------|----------|-------|---------|-----------|----------|-----------|----------|--------|
| E | 4 | 10S | 34E | E | 1980 | N | 660 | W | Lea |

Proposed Pools

| |
|-----------------------|
| Wildcat Mississippian |
|-----------------------|

| | | | | |
|-----------------------|-------------------------|--|---------------------|--------------------------------|
| Work Type New Well | Well Type GAS | Cable/Rotary | Lease Type State | Ground Level Elevation 4249 |
| Multiple N | Proposed Depth 12700 | Formation Mississippian Age Rocks- Undivided | Contractor | Spud Date 03/01/2005 |

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 | 400 | 400 | 0 |
| Int1 | 12.25 | 9.625 | 40 | 4150 | 1400 | 0 |
| Prod | 8.75 | 5.5 | 17 | 12700 | 2700 | 3650 |

Casing/Cement Program: Additional Comments

Yates Petroleum Corporation proposes to drill/test the Mississippian and intermediate formations. Approximately 400' of surface casing will be set/cement circulated. Intermediate casing will be set @ 4150', cement circulated to the surface. If commercial, production casing will be run/cemented; will perforate/stimulate as needed for production. MUD PROGRAM: 0-400' - FW Gel/Paper; 400' - 2060' - FW; 2060'-4150' Red Bed Mud/Oil; 4150' - 7700 - Cut Brine; 7700' - 12575' Salt Gel/Oil/Starch; 12575' - TD SW/Starch/4-6%KCL.

Proposed Blowout Prevention Program

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

I hereby certify that the information given above is true and complete to the best of my knowledge and belief.

Electronically Signed By: Debbie Caffall

Title: Regulatory Technician

Date: 03/01/2005

Phone: 505-748-4364

OIL CONSERVATION DIVISION

Electronically Approved By: Paul Kautz

Title: Geologist

Approval Date: 03/02/2005 Expiration Date: 03/02/2006

Conditions of Approval:
There are conditions. See Attached.