

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

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 30-015-35098
4. Property Code 35939	5. Property Name MOSLEY CANYON BIA STATE COM.	6. Well No. 001

7. Surface Location

UL - Lot	Section	Township	Range	Lot Idn	Feet From	N/S Line	Feet From	E/W Line	County
A	5	24S	25E	1	660	N	660	E	EDDY

8. Pool Information

BALDRIDGE CANYON;MORROW (GAS)	71420
-------------------------------	-------

Additional Well Information

9. Work Type New Well	10. Well Type GAS	11. Cable/Rotary	12. Lease Type State	13. Ground Level Elevation 3814
14. Multiple N	15. Proposed Depth 11350	16. Formation Morrow	17. Contractor	18. Spud Date 8/19/2006
Depth to Ground water 209		Distance from nearest fresh water well > 1000		Distance to nearest surface water 1000
Pit: Liner: Synthetic <input checked="" type="checkbox"/> 12 _____ miles thick Clay <input type="checkbox"/> Pit Volume: 24000 _____ bbls Drilling Method: Closed Loop System <input type="checkbox"/> Fresh Water <input type="checkbox"/> Brine <input type="checkbox"/> Diesel/Oil-based <input checked="" 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	325	0
Int1	12.25	9.625	36	2600	700	0
Prod	8.75	5.5	17	11350	1900	0

Casing/Cement Program: Additional Comments

Yates Petroleum Corporation proposes to drill and test the morrow 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	5000	5000	

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"/> .	OIL CONSERVATION DIVISION	
	Approved By: Bryan Arrant	
	Title: Geologist	
	Approved Date: 8/18/2006	Expiration Date: 8/18/2007
	Email Address: shirleyp@ypcnm.com	
Date: 8/18/2006	Phone: 505-748-4356	Conditions of Approval Attached

District I
1625 N. French Dr., Hobbs, NM 88240
Phone:(505) 393-6161 Fax:(505) 393-0720
District II
1301 W. Grand Ave., Artesia, NM 88210
Phone:(505) 748-1283 Fax:(505) 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-102
Permit 24246

WELL LOCATION AND ACREAGE DEDICATION PLAT

1. API Number 30-015-35098	2. Pool Code 71420	3. Pool Name BALDRIDGE CANYON;MORROW (GAS)
4. Property Code 35939	5. Property Name MOSLEY CANYON BIA STATE COM.	6. Well No. 001
7. OGRID No. 25575	8. Operator Name YATES PETROLEUM CORPORATION	9. Elevation 3814

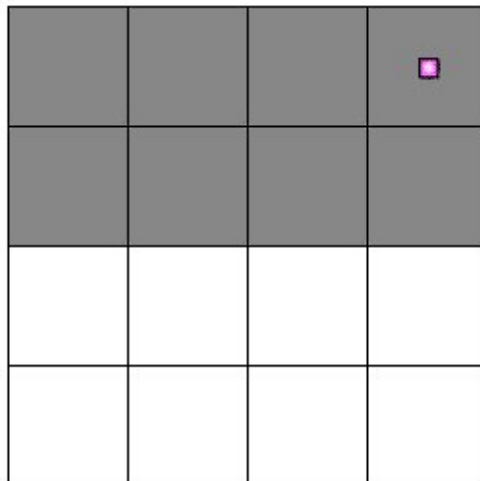
10. Surface Location

UL - Lot A	Section 5	Township 24S	Range 25E	Lot Idn	Feet From 660	N/S Line N	Feet From 660	E/W Line E	County EDDY
---------------	--------------	-----------------	--------------	---------	------------------	---------------	------------------	---------------	----------------

11. Bottom Hole Location If Different From Surface

UL - Lot	Section	Township	Range	Lot Idn	Feet From	N/S Line	Feet From	E/W Line	County
12. Dedicated Acres 320.32	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



OPERATOR CERTIFICATION

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.

E-Signed By: Shirley Pruitt

Title:

Date: 8/18/2006

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.

Surveyed By: Herschel Jones

Date of Survey: 2/23/2006

Certificate Number: 3640

Permit Comments

Operator: YATES PETROLEUM CORPORATION , 25575

Well: MOSLEY CANYON BIA STATE COM. #001

API: 30-015-35098

Created By	Comment	Comment Date
dustyb	BOPE PROGRAM: A 5000# BOPE will be installed on the 9 5/8" casing and tested daily.	2/24/2006
dustyb	Mud Program: 0-400' FW; 400'-2500' Fresh Water/Air Mist; 2500'-9650' Cut Brine; 9650'-11300' Salt Gel/Starch	2/24/2006
SPRUITT	Sources at Yates Petroleum Corporation have relayed information to me that they believe there will not be enough H2S anticipated from the surface to the Morrow formation to meet the OGD's minimum requirements for the submission of a contingency plan per Rule 118.	8/18/2006

Permit Conditions of Approval

Operator: YATES PETROLEUM CORPORATION , 25575

Well: MOSLEY CANYON BIA STATE COM. #001

API: 30-015-35098

OCD Reviewer	Condition
BArrant	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
BArrant	Operator to notify OCD time of spud and time to witness the cementing to surface of all casing strings.
BArrant	Operator to collect mud samples from the flow line every 100', from 400' to 2600'. Test for chloride levels and submit to the OCD the results of the tests before drilling to total depth of @ 11,350'.