

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 30-025-38190 |
| 4. Property Code 35736 | 5. Property Name REBECCA BJB STATE COM | 6. Well No. 002 |

7. Surface Location

| | | | | | | | | | |
|----------|---------|----------|-------|---------|-----------|----------|-----------|----------|--------|
| UL - Lot | Section | Township | Range | Lot Idn | Feet From | N/S Line | Feet From | E/W Line | County |
| P | 18 | 12S | 32E | P | 800 | S | 990 | E | LEA |

8. Pool Information

| | |
|-----------------------|---|
| Wildcat Mississippian | 0 |
|-----------------------|---|

Additional Well Information

| | | | | |
|---|-----------------------------|--|-------------------------|---|
| 9. Work Type New Well | 10. Well Type GAS | 11. Cable/Rotary | 12. Lease Type State | 13. Ground Level Elevation 4392 |
| 14. Multiple N | 15. Proposed Depth 11320 | 16. Formation Mississippi Limestone | 17. Contractor | 18. Spud Date 11/30/2006 |
| Depth to Ground water 60 | | 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 checked="" type="checkbox"/> Brine <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 | 400 | 0 |
| Int1 | 12.25 | 9.625 | 40 | 3700 | 1250 | 0 |
| Prod | 8.75 | 5.5 | 17 | 11320 | 2050 | 3200 |

Casing/Cement Program: Additional Comments

Yates Petroleum Corporation proposes to drill and test the Mississippian/intermediate formations. Approximately 400' of surface casing will be set and cement circulated. Intermediate casing will be set at 3700', cement circulated to surface. If commercial, production casing will be ran and cemented, perforated, and stimulated as need to gain production. MUD PROGRAM: 0-400' FW Gel; 400'-1460' FW; 1460'-3700' Red Bed Mud/Oil; 3700'-7200' Cut Brine; 7200'-10500' SGel/Starch; 10500'-TD SW/Starch/4-6% KCL. No H2S is anticipated. BOPE PROGRAM: A 5000# BOPE will be installed on the 9.625" casing and tested daily for operational.

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: Chris Williams | |
| Printed Name: Electronically filed by Shirley Pruitt | Title: District Supervisor | |
| Title: | Approved Date: 12/20/2006 | Expiration Date: 12/20/2007 |
| Email Address: shirleyp@ypcnm.com | | |
| Date: 11/29/2006 | 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
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Form C-102
 Permit 42462

WELL LOCATION AND ACREAGE DEDICATION PLAT

| | | |
|-------------------------------|---|---------------------------------------|
| 1. API Number 30-025-38190 | 2. Pool Code | 3. Pool Name Wildcat Mississippian |
| 4. Property Code 35736 | 5. Property Name REBECCA BJB STATE COM | 6. Well No. 002 |
| 7. OGRID No. 25575 | 8. Operator Name YATES PETROLEUM CORPORATION | 9. Elevation 4392 |

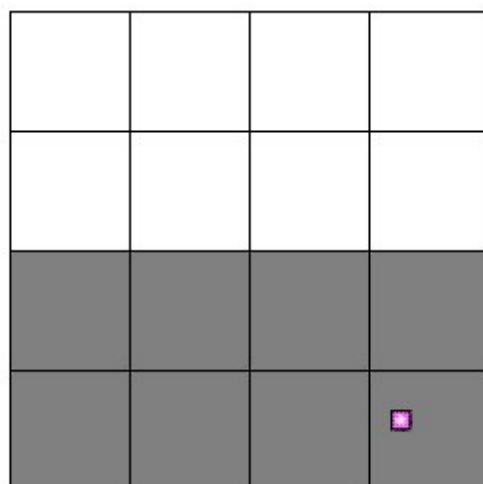
10. Surface Location

| UL - Lot | Section | Township | Range | Lot Idn | Feet From | N/S Line | Feet From | E/W Line | County |
|----------|---------|----------|-------|---------|-----------|----------|-----------|----------|--------|
| P | 18 | 12S | 32E | | 800 | S | 990 | E | LEA |

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 321.90 | | 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: 11/29/2006

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: 11/28/2006

Certificate Number: 3640

Permit Comments

Operator: YATES PETROLEUM CORPORATION , 25575

Well: REBECCA BJB STATE COM #002

API: 30-025-38190

| Created By | Comment | Comment Date |
|------------|--|--------------|
| SPRUITT | Sources at YPC have relayed information to me that there will not be enough H2S found from the surface to the Mississippian formation to meet the OCD's minimum requirements for the submission of a contingency plan per rule 118. | 11/29/2006 |
| SPRUITT | BOPE Program: A 5000# BOPE will be placed on the 9.625" casing and tested daily for operational. | 11/29/2006 |
| SPRUITT | MUD Program: 0-400' Fresh Water Gel; 400'-1460' Fresh Water; 1460'-3700' Red Bed Mud/Oil; 3700'-7200' Cut Brine; 7200'-10500' SGel/Starch; 10500'-TD SW/Starch/4-6% KCL. | 11/29/2006 |
| SPRUITT | This is a second well in the SE/4. The Rebecca #1 well has been spudded to hold the leases. The geologist prefers the Rebecca #2 well. YPC will need to continue work on the #1 well until the #2 well has been drilled and completed. The next step will be to plug the #1 well and produce the #2. | 11/29/2006 |

Permit Conditions of Approval

Operator: YATES PETROLEUM CORPORATION , 25575

Well: REBECCA BJB STATE COM #002

API: 30-025-38190

| OCD Reviewer | Condition |
|-----------------|---|
| DMULL | 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 |
| DMULL | The #2-P has approval to be drill to the Wildcat Miss, and the #1-J will be plugged and not produced in the Wildcat Miss. |
| DMULL | The #2-P has approval to be drill to TD after the spud date. NO 5 feet this week and 5 feet next week to TD. |