

**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 30-025-38950
4. Property Code 34353	5. Property Name AZURE STATE UNIT	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
M	18	12S	35E	4	990	S	660	W	LEA

**8. Pool Information**

FOUR LAKES,MISSISSIPPIAN (GAS)	97053
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**Additional Well Information**

9. Work Type New Well	10. Well Type GAS	11. Cable/Rotary	12. Lease Type State	13. Ground Level Elevation 4136
14. Multiple N	15. Proposed Depth 12350	16. Formation Mississippian Age Rocks-Undivided	17. Contractor	18. Spud Date
Depth to Ground water 50		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	14.75	11.75	42	400	275	0
Int1	11	8.625	32	4300	1175	0
Prod	7.875	5.5	17	12350	875	8800

**Casing/Cement Program: Additional Comments**

Yates Petroleum Corporation proposes to drill/test the Austin and intermediate formations. Approximately 400' of surface casing will be set/cemented. Intermediate casing will be set @ 4300', cement circulated to the surface. If commercial, production casing will be run/cemented; will perforate/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: Paul Kautz	
Printed Name: Electronically filed by Monti Sanders	Title: Geologist	
Title:	Approved Date: 5/28/2008	Expiration Date: 5/28/2010
Email Address: montis@ypcnm.com		
Date: 5/27/2008	Phone: 575-748-4244	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

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Form C-102  
 Permit 74066

**WELL LOCATION AND ACREAGE DEDICATION PLAT**

1. API Number 30-025-38950	2. Pool Code 97053	3. Pool Name FOUR LAKES,MISSISSIPPIAN (GAS)
4. Property Code 34353	5. Property Name AZURE STATE UNIT	6. Well No. 002
7. OGRID No. 25575	8. Operator Name YATES PETROLEUM CORPORATION	9. Elevation 4136

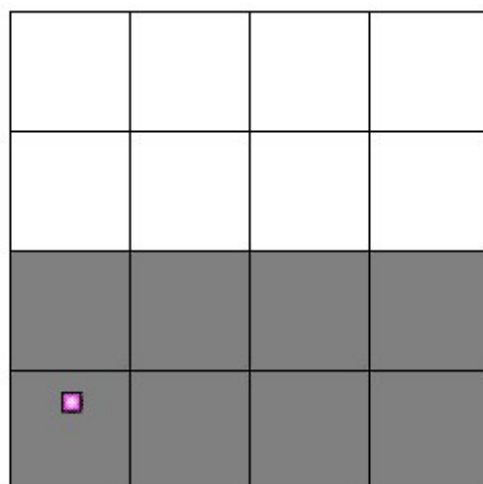
**10. Surface Location**

UL - Lot	Section	Township	Range	Lot Idn	Feet From	N/S Line	Feet From	E/W Line	County
M	18	12S	35E		990	S	660	W	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 313.28		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: Monti Sanders

Title:

Date: 5/27/2008

**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: Gary Jones

Date of Survey: 5/22/2008

Certificate Number: 7977

## Permit Comments

Operator: YATES PETROLEUM CORPORATION , 25575

Well: AZURE STATE UNIT #002

API: 30-025-38950

Created By	Comment	Comment Date
MSANDERS	MUD PROGRAM: 0-400' FW Gel; 400'-2085' FW; 2085'-4300' Red Bed Mud/Oil; 4300'-7750' Cut Brine; 7750'-11656' Sgel/Oil/Starch; 11656'-TD SWGel/Starch/4-6% KCL.	4/29/2008
MSANDERS	BOPE RPROGRAM: A 5000# BOP will be nipped up on the 8 5/8" casing and tested daily for operational.	4/29/2008
MSANDERS	H2S PROGRAM: Sources at Yates Petroleum Corporation have relayed information to me that they believe 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.	4/29/2008
DMULL	Corrected per Monti Sanders, Yates plan to drill this well vertical, not Directional.	5/28/2008

# Permit Conditions of Approval

Operator: YATES PETROLEUM CORPORATION , 25575

Well: AZURE STATE UNIT #002

API: 30-025-38950

OCD Reviewer	Condition
pkautz	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