

CMD :
OG5SECT

ONGARD
INQUIRE LAND BY SECTION

08/22/06 13:29:57
OGOEEM -TQZR
PAGE NO: 1

Sec : 23 Twp : 10S Rng : 34E Section Type : NORMAL

D 40.00 TWR VAl946 0002 YATES PETROLEUM C U 04/01/04 A	C 40.00 TWR VAl946 0002 YATES PETROLEUM C U 04/01/04	B 40.00 TWR VAl946 0002 YATES PETROLEUM C U 04/01/04	A 40.00 TWR VAl946 0002 YATES PETROLEUM C U 04/01/04 A 30-025-37911
E 40.00 TWR VAl946 0002 YATES PETROLEUM C U 04/01/04	F 40.00 TWR VAl946 0002 YATES PETROLEUM C U 04/01/04	G 40.00 TWR VAl946 0002 YATES PETROLEUM C U 04/01/04	H 40.00 TWR VAl946 0002 YATES PETROLEUM C U 04/01/04
L 40.00 TWR VAl947 0000 YATES PETROLEUM C U 04/01/04	K 40.00 TWR VAl947 0000 YATES PETROLEUM C U 04/01/04	J 40.00 TWR VAl947 0000 YATES PETROLEUM C U 04/01/04	I 40.00 TWR VAl947 0000 YATES PETROLEUM C U 04/01/04
M 40.00 TWR VAl947 0000 YATES PETROLEUM C U 04/01/04	N 40.00 TWR VAl947 0000 YATES PETROLEUM C U 04/01/04 A	O 40.00 TWR VAl947 0000 YATES PETROLEUM C U 04/01/04	P 40.00 TWR VAl947 0000 YATES PETROLEUM C U 04/01/04

**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

**IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:**

**CASE NO. 13223
ORDER NO. R-12114**

**APPLICATION OF YATES PETROLEUM CORPORATION FOR APPROVAL OF
A UNIT AGREEMENT, LEA COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on February 19, 2004, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 2nd day of March, 2004, the Division Director, having considered the testimony, the record and the recommendations of the Examiner,

FINDS THAT:

(1) Due public notice has been given, and the Division has jurisdiction of this case and its subject matter.

(2) The applicant, Yates Petroleum Corporation ("Yates"), seeks approval of the Merle State Exploratory Unit Agreement for all oil and gas in any and all formations underlying the following-described 7,360 acres, more or less, of State lands in Lea County, New Mexico:

TOWNSHIP 10 SOUTH, RANGE 34 EAST, NMPM

Section 1:	All
Sections 11 through 14:	All
Sections 23 through 25:	All

TOWNSHIP 10 SOUTH, RANGE 35 EAST, NMPM

Sections 6 and 7:	All
Section 18:	All
Section 19:	N/2

(3) The applicant appeared at the hearing through legal counsel and presented its evidence in this case by affidavit.

(4) No other interested party appeared at the hearing or otherwise objected to the proposed unit.

(5) Approval of the proposed unit agreement should promote the prevention of waste and protection of correlative rights within the unit area.

IT IS THEREFORE ORDERED THAT:

(1) Pursuant to the application of Yates Petroleum Corporation, the Merle State Exploratory Unit Agreement is hereby approved for all oil and gas in any and all formations underlying the following-described 7,360 acres, more or less, of State lands in Lea County, New Mexico:

TOWNSHIP 10 SOUTH, RANGE 34 EAST, NMPM

Section 1:	All
Sections 11 through 14:	All
Sections 23 through 25:	All

TOWNSHIP 10 SOUTH, RANGE 35 EAST, NMPM

Sections 6 and 7:	All
Section 18:	All
Section 19:	N/2

(2) The plan contained in the unit agreement for the development and operation of the unit area is hereby approved in principle as a proper conservation measure; provided however, notwithstanding any of the provisions contained in the unit agreement, this approval shall not be considered as waiving or relinquishing, in any manner, any right, duty or obligation that is now, or may hereafter be, vested in the Division to supervise and control operations for the unit and production of oil and gas therefrom.

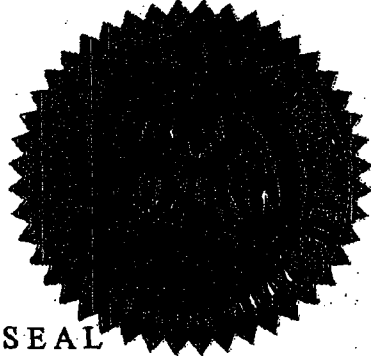
(3) The unit operator shall file with the Division an executed original or executed counterpart of the unit agreement within 30 days after the effective date thereof. In the event of subsequent joinder by any other party or expansion or contraction of the unit area, the unit operator shall file with the Division, within 30 days, copies of the unit agreement reflecting the subscription of those interests having joined or ratified.

(4) All plans of (i) development and operation; (ii) creation, expansion or contraction of participating areas; or (iii) expansion or contraction of the unit area shall be submitted to the Director for approval.

(5) This order shall become effective upon the approval of the unit agreement by the Commissioner of Public Lands for the State of New Mexico. This order shall terminate upon the termination of the unit agreement. The last unit operator shall notify the Division immediately in writing of such termination.

(6) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

Lori Wrotenbery
LORI WROTENBERY
Director

UNIT NAME: MERLE STATE EXPLORATORY UNIT
OPERATOR: YATES PETROLEUM CORPORATION
COUNTY: LEA

DATE APPROVED	OCC CASE NO. OCC ORDER NO.	TOTAL ACREAGE	STATE	FEDERAL	INDIAN FEE	SEGREGATION CLAUSE	TERM
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EFFECTIVE 03/12/2004		7351.04	7351.04	0	0	STRICT	5 YEARS SO LONG AS
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APPROVALS

SLO--03-12-2004
OCD--03-02-2004 CASE NO. 13223
ORDER NO. R-12114

MAR 19 2004

RECEIVED

Oil Conservation Division
1220 S. Saint Francis Drive
Santa Fe, NM 87505

TOWNSHIP 10 SOUTH, RANGE 34 EAST
SECTION 1: Lots 1, 2, 3, 4, S/2N/2, S/2
SECTION 11: ALL
SECTION 12: ALL
SECTION 13: ALL
SECTION 14: ALL
SECTION 23: ALL
SECTION 24: ALL
SECTION 25: ALL

TOWNSHIP 10 SOUTH, RANGE 35 EAST
SECTION 6: Lots 1, 2, 3, 4, 5, 6, 7, S/2NE/4, SE/4NW/4, W/2SW/4, SE/4
SECTION 7: Lots 1, 2, 3, 4, E/2W/2, E/2
SECTION 18: Lots 1, 2, 3, 4, E/2W/2, E/2
SECTION 19: Lots 1, 2, W/2NW/4, NE/4

[illegible][illegible]

EXHIBIT "B"
Merle State Exploratory Unit
Lea County, New Mexico

TRACT NUMBER	DESCRIPTION OF LANDS	NET ACRES	SERIAL NUMBER AND EXPIRATION DATE	LESSOR	LESSEE OF RECORD	OVERRIDING ROYALTY	WORKING INTEREST
1.	T10S, R34E Sec. 14: N2 Lea County, NM	320.00	VA-1945 4/1/04	State of New Mexico 1/8	Yates Petroleum Corporation 2/3/04	None	Yates Petroleum Corporation Yates Drilling Company Abco Petroleum Corporation Myco Industries, Inc. 2/3/04
2.	T10S, R34E Sec. 14: S2 Lea County, NM	320.00	VA-1944 4/1/04	State of New Mexico 1/8	Yates Petroleum Corporation 2/3/04	None	Yates Petroleum Corporation Yates Drilling Company Abco Petroleum Corporation Myco Industries, Inc.
3.	T10S, R34E Sec. 23: N2 Lea County, NM	320.00	VA-1946 4/1/04	State of New Mexico 1/8	Yates Petroleum Corporation 2/3/04	None	Yates Petroleum Corporation Yates Drilling Company Abco Petroleum Corporation Myco Industries, Inc.
4.	T10S, R34E Sec. 23: S2 Lea County, NM	320.00	VA-1947 4/1/04	State of New Mexico 1/8	Yates Petroleum Corporation 2/3/04	None	Yates Petroleum Corporation Yates Drilling Company Abco Petroleum Corporation Myco Industries, Inc.
5.	T10S, R34E Sec. 24: W2 Lea County, NM	320.00	VA-1949 4/1/04	State of New Mexico 1/8	Yates Petroleum Corporation 2/3/04	None	Yates Petroleum Corporation Yates Drilling Company Abco Petroleum Corporation Myco Industries, Inc.
6.	T10S, R34E Sec. 24: E2 Lea County, NM	320.00	VA-1948 4/1/04	State of New Mexico 1/8	Yates Petroleum Corporation 2/3/04	None	Yates Petroleum Corporation Yates Drilling Company Abco Petroleum Corporation Myco Industries, Inc.
7.	T10S, R34E Sec. 25: W2 Lea County, NM	320.00	VA-1951 4/1/04	State of New Mexico 1/8	Yates Petroleum Corporation 2/3/04	None	Yates Petroleum Corporation Yates Drilling Company Abco Petroleum Corporation Myco Industries, Inc.
8.	T10S, R34E Sec. 25: E2 Lea County, NM	320.00	VA-1950 4/1/04	State of New Mexico 1/8	Yates Petroleum Corporation 2/3/04	None	Yates Petroleum Corporation Yates Drilling Company Abco Petroleum Corporation Myco Industries, Inc.
9.	T110S, R34E Sec. 1: Lots 3, 4, S2NW, SW Lea County, NM	319.88	VO-5552 7/1/04	State of New Mexico 1/8	Yates Petroleum Corporation 2/3/04	None	Yates Petroleum Corporation Yates Drilling Company Abco Petroleum Corporation Myco Industries, Inc.

EXHIBIT "B"
Merle State Exploratory Unit
Lea County, New Mexico

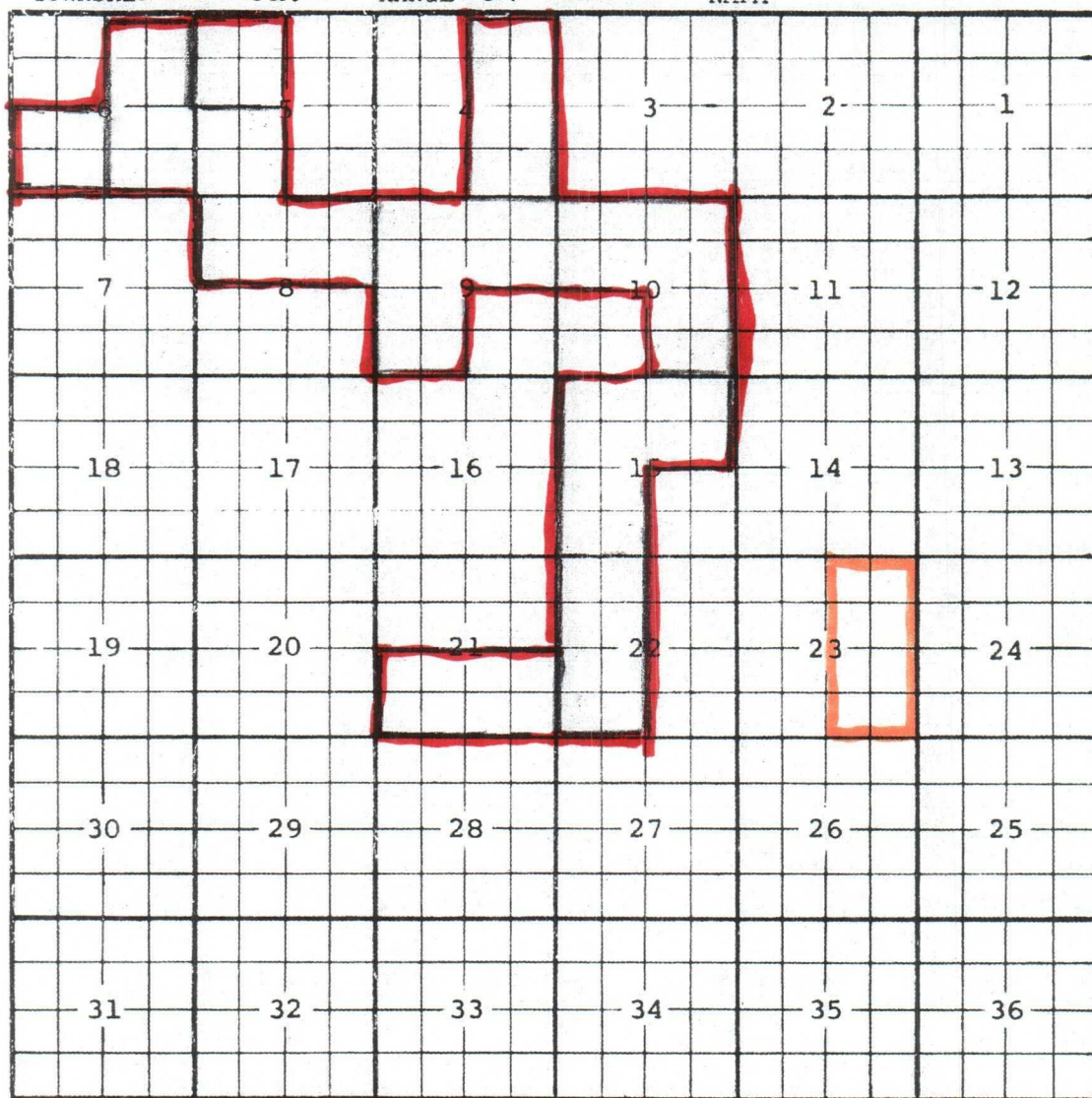
TRACT NUMBER	DESCRIPTION OF LANDS	NET ACRES	SERIAL NUMBER AND EXPIRATION DATE	LESSOR	LESSEE OF RECORD	OVERRIDING ROYALTY	WORKING INTEREST
10.	<u>T10S, R34E</u> Sec 1: Lots 1, 2, S2NE, SE Lea County, NM	319.96	VA-2001 7/1/04	State of New Mexico 1/8	Yates Petroleum Corporation	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Myco Industries, Inc.
11.	<u>T10S, R34E</u> Sec 12: W2 Lea County, NM	320.00	VO-5559 7/1/04	State of New Mexico 1/6	Yates Petroleum Corporation	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Myco Industries, Inc.
12.	<u>T10S, R34E</u> Sec 12: E2 Lea County, NM	320.00	VA-2002 7/1/04	State of New Mexico 1/8	Yates Petroleum Corporation	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Myco Industries, Inc.
13.	<u>T10S, R34E</u> Sec 13: W2 Lea County, NM	320.00	VO-5560 7/1/04	State of New Mexico 1/6	Yates Petroleum Corporation	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Myco Industries, Inc.
14.	<u>T10S, R34E</u> Sec 13: E2 Lea County, NM	320.00	VA-1991 7/1/04	State of New Mexico 1/8	Yates Petroleum Corporation	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Myco Industries, Inc.
15.	<u>T10S, R34E</u> Sec 11: W2 Lea County, NM	320.00	VA-2134 3/1/05	State of New Mexico 1/8	Yates Petroleum Corporation	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Myco Industries, Inc.
16.	<u>T10S, R34E</u> Sec 11: E2 Lea County, NM	320.00	VA-2133 3/1/05	State of New Mexico 1/8	Yates Petroleum Corporation	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Myco Industries, Inc.
17.	<u>T10S, R35E</u> Sec 6: Lots 1, 2, 3, 4, 5, S2NE, SENW (N2) Lea County, NM	318.35	VA-2375 2/1/06	State of New Mexico 1/8	Yates Petroleum Corporation	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Myco Industries, Inc.
18.	<u>T10S, R35E</u> Sec 6: Lots 6, 7 (W2SW) E2SW, SE Lea County, NM	318.41	VA-2359 2/1/06	State of New Mexico 1/8	Yates Petroleum Corporation	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Myco Industries, Inc.

EXHIBIT "B"
Merle State Exploratory Unit
Lea County, New Mexico

TRACT NUMBER	DESCRIPTION OF LANDS	NET ACRES	SERIAL NUMBER AND EXPIRATION DATE	LESSOR	LESSEE OF RECORD	OVERRIDING ROYALTY	WORKING INTEREST
19.	<u>T10S, R35E</u> Sec 7: Lots 1, 2 (W2NW) NE, E2NW Lea County, NM	318.52	VA-2376 2/1/06 F/c	State of New Mexico 1/8	Yates Petroleum Corporation 2/2/04	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Mycos Industries, Inc. 2/3/04
							70.000% 10.000% 10.000% 10.000%
20.	<u>T10S, R35E</u> Sec 7: Lots 3, 4 (W2SW) E2SW, SE Lea County, NM	318.68	VA-2360 2/1/06 F/c	State of New Mexico 1/8	Yates Petroleum Corporation	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Mycos Industries, Inc.
							70.000% 10.000% 10.000% 10.000%
21.	<u>T10S, R35E</u> Sec 18: Lots 1, 2, (W2NW) NE, E2NW Lea County, NM	318.87	VA-2380 2/1/06 F/c	State of New Mexico 1/8	Yates Petroleum Corporation	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Mycos Industries, Inc.
							70.000% 10.000% 10.000% 10.000%
22.	<u>T10S, R35E</u> Sec 18: Lots 3, 4 (W2SW) E2SW, SE Lea County, NM	319.09	VA-2363 2/1/06 F/c	State of New Mexico 1/8	Yates Petroleum Corporation	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Mycos Industries, Inc.
							70.000% 10.000% 10.000% 10.000%
23.	<u>T10S, R35E</u> Sec 19: Lots 1, 2, (W2NW) NE, E2NW Lea County, NM	319.28	VA-2438 4/1/06 F/c	State of New Mexico 1/8	Yates Petroleum Corporation	None	Yates Petroleum Corporation Yates Drilling Company Abo Petroleum Corporation Mycos Industries, Inc.
							70.000% 10.000% 10.000% 10.000%
Total		7351.04					
Total State		7351.04					

COUNTY LeaPOOL X-4 Ranch - Atoka GasTOWNSHIP 10 SouthRANGE 34 East

NMPM



Ext: $\frac{E}{2}$ Sec. 4, $\frac{N}{2}$ and $\frac{SW}{4}$ Sec. 15, $\frac{W}{2}$ Sec. 22 (R-12382, 7-14-05)

Ext: $\frac{SW}{4}$ Sec. 5, $\frac{E}{2}$ Sec. 6, $\frac{N}{2}$ Sec. 8, $\frac{S}{2}$ Sec. 21 (R-12531, 3-30-06)

Ext: $\frac{NW}{4}$ Sec. 5, $\frac{SW}{4}$ Sec. 6 (R-12600, 7-26-06)

County Lea

Pool East X-4 Ranch-Atoka Gas

TOWNSHIP 10 South

Range 34 East

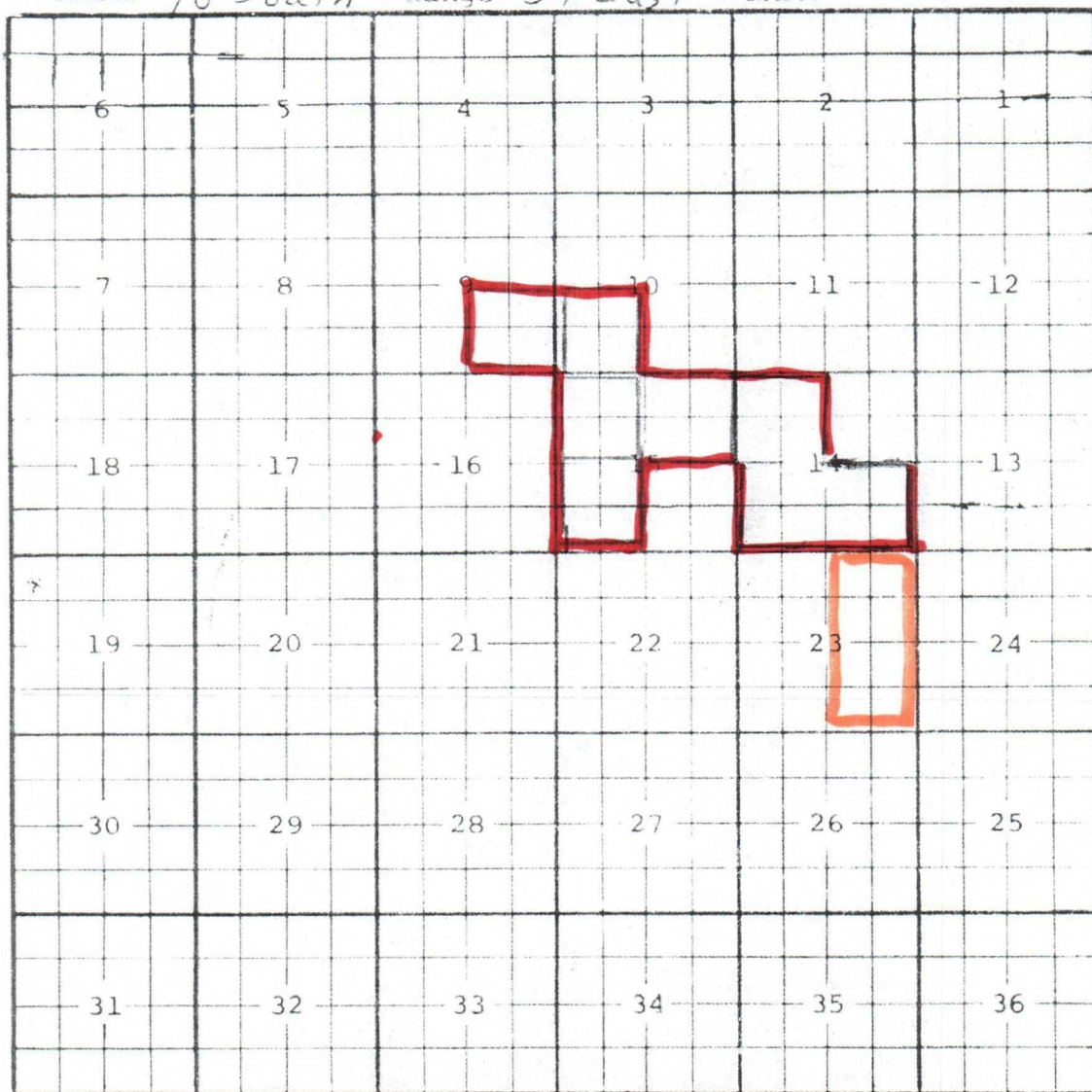
NMPM

6	5	4	3	2	1
7	8	9	10	11	12
18	17	16	15	14	13
19	20	21	22	23	24
30	29	28	27	26	25
31	32	33	34	35	36

Description: 5/2 Sec. 13 (R-12223, 10-25-04)

County Lea Pool Southeast Lane-Abo

TOWNSHIP 10 South Range 34 East NMPM



Description: NW 1/4 Sec. 15 (R-9792, 12-3-92)

Ext: SW 1/4 Sec. 15 (R-10091, 3-28-94) Ext: SW 1/4 Sec. 10 (R-11243, 9-15-99)

Ext: SE 1/4 Sec. 9 (R-11475, 10-24-00) Ext: NE 1/4 Sec. 15 (R-12317, 3-25-05)

Ext: W 1/2 and SE 1/4 Sec. 14 (R-12600, 7-26-06)

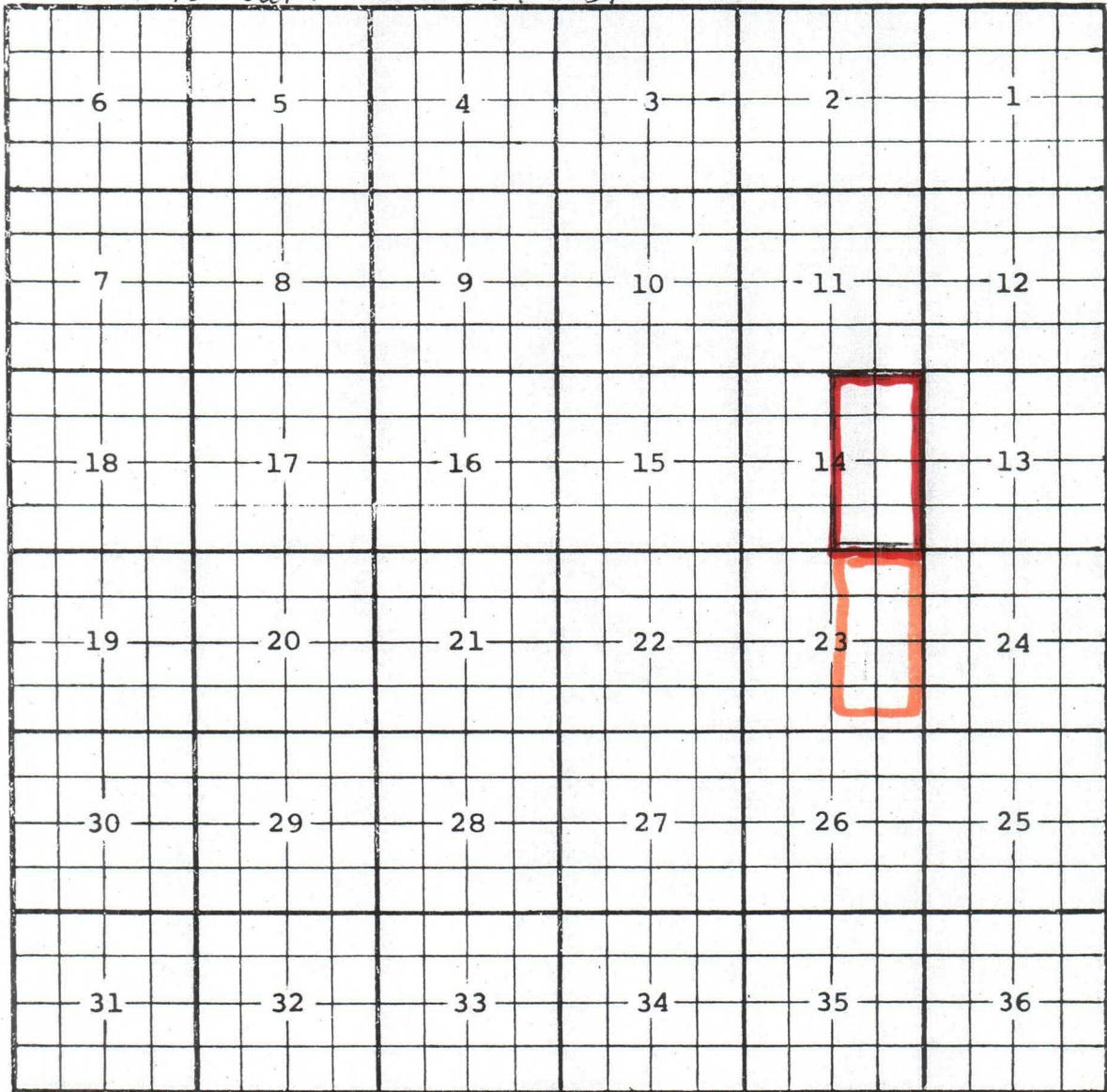
COUNTY Lea

POOL X-4 Ranch-Mississippian Gas

TOWNSHIP 10 South

RANGE 34 East

NMPM



Description: E/2 Sec. 14 (R-126097-26-06)

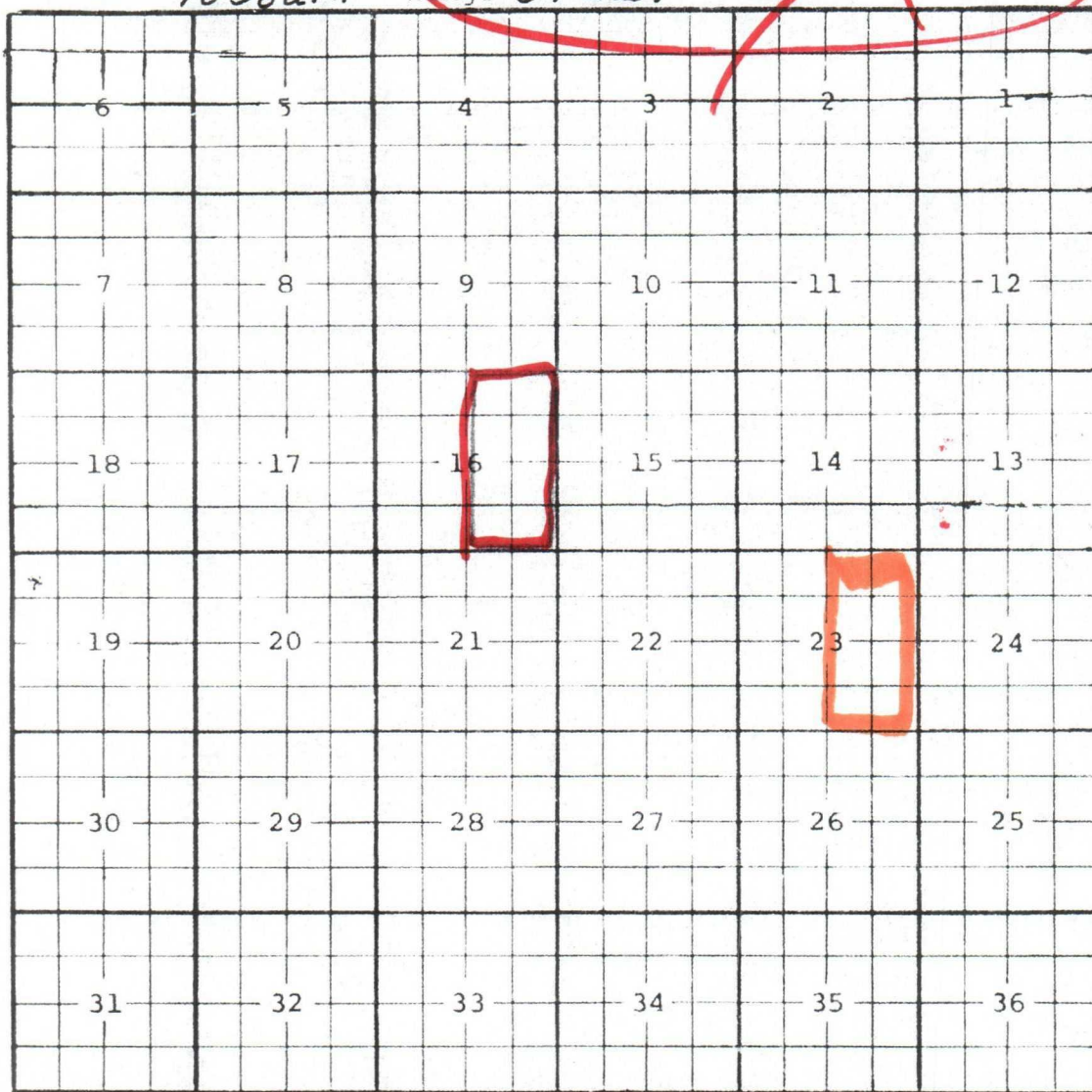
County Lea

Pool X-4 Ranch-Austin Gas

TOWNSHIP 10 South

Range 34 East

NMPM



Description: E/2 Sec. 16 (A-12312, 3-25-05)

[illegible]

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

Form C-103

Permit 33383

8-22-06

Oil Conservation Division

1220 S. St Francis Dr.

Santa Fe, NM 87505

WELL API NUMBER

30-025-37911

5. Indicate Type of Lease

S

6. State Oil & Gas Lease No.

7. Lease Name or Unit Agreement Name

MERLE STATE UNIT

8. Well Number

005

9. OGRID Number

25575

10. Pool name or Wildcat

SUNDRY NOTICES AND REPORTS ON WELLS

(DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)

1. Type of Well: O

2. Name of Operator

YATES PETROLEUM CORPORATION

3. Address of Operator

105 S 4TH ST, ARTESIA, NM 88210

4. Well Location

Unit Letter A : 330 feet from the N line and 330 feet from the E line
Section 23 Township 10S Range 34E NMPM Lea County

11. Elevation (Show whether DR, KB, BT, GR, etc.)

4168 GR

Pit or Below-grade Tank Application ☐ or Closure ☐

Pit Type _____ Depth to Groundwater _____ Distance from nearest fresh water well _____ Distance from nearest surface water _____

Pit Liner Thickness: _____ mil Below-Grade Tank: Volume _____ bbls; Construction Material _____

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:

PERFORM REMEDIAL WORK ☐ PLUG AND ABANDON ☐TEMPORARILY ABANDON ☐ CHANGE OF PLANS ☐PULL OR ALTER CASING ☐ MULTIPLE COMPL ☐

Other: _____

SUBSEQUENT REPORT OF:

REMEDIAL WORK ☐ ALTER CASING ☐COMMENCE DRILLING OPNS. ☐ PLUG AND ABANDON ☐CASING/CEMENT JOB ☐Other: Drilling/Cement ☒

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work.) SEE RULE 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

TD 17-1/2" hole to 432'. Set 13-3/8" 48# casing @ 432'. Cemented w/200 sx "C" and tailed in w/200 sx. Cement circulated. WOC 20 hrs. Reduced hole to 12-1/4" and resumed drilling. 7/11/2006 Spudded well.

Casing and Cement Program

Date	String	Fluid Type	Hole Size	Csg Size	Weight lb/ft	Grade	Est TOC	Dpth Set	Sacks	Yield	Class	1" Dpth	Pres Held	Pres Drop	Open Hole
07/17/06	Surf		17.5	13.375	48	H40	0	432	400		C				

I hereby certify that the information above is true and complete to the best of my knowledge and belief. I further certify that any pit or below-grade tank has been/will be constructed or closed according to NMOC guidelines ☐, a general permit ☐ or an (attached) alternative OCD-approved plan ☐.

SIGNATURE Electronically Signed

TITLE

DATE 8/2/2006

Type or print name Shirley Pruitt

E-mail address shirleypruitt@ypcnm.com

Telephone No. 505-748-4356

For State Use Only:

APPROVED BY: Paul Kautz

TITLE Geologist

DATE 8/2/2006 1:16:53 PM

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-103
Permit 33967

SUNDRY NOTICES AND REPORTS ON WELLS (DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVIOR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)		WELL API NUMBER 30-025-37911
1. Type of Well: <u>O</u>		5. Indicate Type of Lease S
2. Name of Operator YATES PETROLEUM CORPORATION		6. State Oil & Gas Lease No.
3. Address of Operator 105 S 4TH ST, ARTESIA, NM 88210		7. Lease Name or Unit Agreement Name MERLE STATE UNIT
4. Well Location Unit Letter <u>A</u> : <u>330</u> feet from the <u>N</u> line and <u>330</u> feet from the <u>E</u> line Section <u>23</u> Township <u>10S</u> Range <u>34E</u> NMPM Lea County		8. Well Number 005
		9. OGRID Number 25575
		10. Pool name or Wildcat
11. Elevation (Show whether DR, KB, BT, GR, etc.) 4168 GR		
Pit or Below-grade Tank Application ☐ or Closure ☐		
Pit Type _____ Depth to Groundwater _____ Distance from nearest fresh water well _____ Distance from nearest surface water _____		
Pit Liner Thickness: _____ mil Below-Grade Tank: Volume _____ bbls; Construction Material _____		

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:	SUBSEQUENT REPORT OF:
PERFORM REMEDIAL WORK ☐ PLUG AND ABANDON ☐	REMEDIAL WORK ☐ ALTER CASING ☐
TEMPORARILY ABANDON ☐ CHANGE OF PLANS ☐	COMMENCE DRILLING OPNS. ☐ PLUG AND ABANDON ☐
PULL OR ALTER CASING ☐ MULTIPLE COMPL ☐	CASING/CEMENT JOB ☐
Other:	Other: <u>Spud</u> ☒

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work.) SEE RULE 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

7/11/2006 Spudded well.

Spud 26" conductor hole @ 9:30 a.m. Set 40' of 20" conductor. Notified Gary Wink w/Hobbs OCD.

I hereby certify that the information above is true and complete to the best of my knowledge and belief. I further certify that any pit or below-grade tank has been/will be constructed or closed according to NMOC guidelines ☐ , a general permit ☐ or an (attached) alternative OCD-approved plan ☐.

SIGNATURE Electronically Signed _____ TITLE Regulatory Tech _____ DATE 7/12/2006 _____

Type or print name dusty bean E-mail address dustyb@ypcnm.com Telephone No. 505-748-4364

For State Use Only:

APPROVED BY: Paul Kautz TITLE Geologist DATE 7/13/2006

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 30-025-37911
4. Property Code 33444	5. Property Name MERLE STATE UNIT	6. Well No. 005

7. Surface Location

UL - Lot	Section	Township	Range	Lot Idn	Feet From	N/S Line	Feet From	E/W Line	County
A	23	10S	34E	A	330	N	330	E	LEA

8. Pool Information

Wildcat Wolfcamp	0
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Additional Well Information

9. Work Type New Well	10. Well Type OIL	11. Cable/Rotary	12. Lease Type State	13. Ground Level Elevation 4168
14. Multiple N	15. Proposed Depth 9200	16. Formation Wolfcamp	17. Contractor	18. Spud Date
Depth to Ground water 50		Distance from nearest fresh water well > 1000		Distance to nearest surface water > 1000
Pk: Liner: Synthetic ☒ 12 miles thick Clay ☐ Pk Volume: 24000 bbls Drilling Method: Closed Loop System ☐ Fresh Water ☒ Brine ☐ Diesel/Oil-based ☐ Gas/Air ☐				

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	9.625	40	4250	1325	0
Prod	8.75	7	26	9200	775	3750

Casing/Cement Program: Additional Comments

Yates Petroleum Corporation proposes to drill and test the Wolfcamp/intermediate formations. Approximately 400' of surface casing will be set and cement circulated. Intermediate casing will be set at 4250', cement circulated to surface. If commercial, production casing will be ran, cemented, perforated, and simulated as needed to gain production.

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. I further certify that the drilling pit will be constructed according to NMOCB guidelines ☐ a general permit ☒ or an (attached) alternative OCB-approved plan ☐ .		OIL CONSERVATION DIVISION	
Printed Name: Electronically filed by dusty bean		Approved By: Paul Kautz	
Title: Regulatory Tech		Title: Geologist	
Email Address: dustyb@ypcnm.com		Approved Date: 6/2/2006	Expiration Date: 6/2/2007
Date: 6/1/2006	Phone: 505-748-4364	Conditions of Approval Attached	

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

Energy, Minerals and Natural Resources**Oil Conservation Division****1220 S. St Francis Dr.****Santa Fe, NM 87505****WELL LOCATION AND ACREAGE DEDICATION PLAT**

1. API Number 30-025-37911	2. Pool Code	3. Pool Name Wildcat Wolfcamp
4. Property Code 33444	5. Property Name MERLE STATE UNIT	6. Well No. 005
7. OGRID No. 25575	8. Operator Name YATES PETROLEUM CORPORATION	9. Elevation 4168

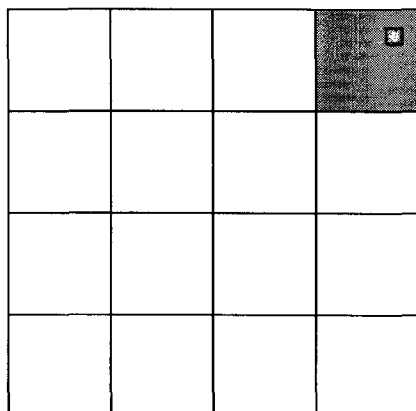
10. Surface Location

UL - Lot	Section	Township	Range	Lot Idn	Feet From	N/S Line	Feet From	E/W Line	County
A	23	10S	34E		330	N	330	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 40.00		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: dusty bean

Title: Regulatory Tech

Date: 6/1/2006

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: 5/30/2006

Certificate Number: 3640

Permit Comments

Operator: YATES PETROLEUM CORPORATION , 25575

Well: MERLE STATE UNIT #005

API: 30-025-37911

Created By	Comment	Comment Date
dustyb	Sources at YPC have relayed information to me that there will not be enough H2S anticipated from the surface to the Wolfcamp formation to meet the OCD's minimum requirements for the submission of a contingency plan per rule 118.	8/1/2008
dustyb	Mud Program: 0-400' FW Gel; 400'-2180' FW; 2180'-4200' Red Bed Mud/Oil; 4200'-7700' Cut Brine; 7700'-9200' SGel/Starch.	8/1/2008
dustyb	BOPE Program: A 5000# BOPE will be installed on the 9.825" casing and tested daily for operational.	8/1/2008

Permit Conditions of Approval

Operator: YATES PETROLEUM CORPORATION , 25575

Well: MERLE STATE UNIT #005

API: 30-025-37911

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
pkautz	prior to any pit construction notify Gary Wink at 505-393-8181 ext 114