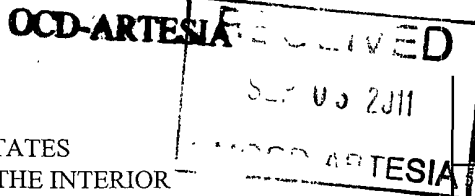


ATS-11-783



Form 3160-3
(February 2005)

FORM APPROVED
OMB NO. 1004-0137
Expires: March 31, 2007

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
APPLICATION FOR PERMIT TO DRILL OR REENTER

1a Type of Work <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. NM-93191	
1b Type of Well: <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other <input checked="" type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		6. If Indian, Allottee or Tribe Name	
2. Name of Operator Yates Petroleum Corporation (025575)		7. If Unit or CA Agreement, Name and No.	
3a Address 105 South Fourth Street, Artesia, NM 88210		8. Lease Name and Well No. Golly brg Federal Com #1H (38831)	
3b Phone No. (include area code) 505-748-1471		9. API Well No. 30-015-39449	
4. Location of well (Report location clearly and in accordance with any State requirements. *) At surface 550' FSL & 1000' FEL, Sec. 34-16S-27E (P) At proposed prod. zone 940' FSL & 330' FEL, Sec. 35-16S-27E		10. Field and Pool, or Exploratory EMPIRE Undesignated Wolfcamp, NW	
11. Sec., T., R., M., or Blk. And Survey or Area Sec. 34-16S-27E, Sec. 35-16S-27E		12. County or Parish Eddy	
14. Distance in miles and direction from the nearest town or post office* Approximately 15 miles east of Artesia, NM		13. State NM	
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drlg unit line, if any)	16. No. of acres in lease 120.00	17. Spacing Unit dedicated to this well SESE of 34 & S2S2	
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft.	19. Proposed Depth PH 6500' Lateral TVD 6230' & MD 11,695' ✓	20. BLM/ BIA Bond No. on file NATIONWIDE BOND #NMB000434	
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3433' GL	22. Approximate date work will start* July 31, 2011	23. Estimated duration 65 days	
24. Attachments			

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No. 1 shall be attached to this form:

- | | |
|---|---|
| 1. Well plat certified by a registered surveyor | 4. Bond to cover the operations unless covered by existing bond on file (see item 20 above) |
| 2. A Drilling Plan. | 5. Operator certification. |
| 3. A Surface Use Plan (if the location is on National Forest System Lands, the SUPO must be filed with the appropriate Forest Service Office) | 6. Such other site specific information and/or plans as may be required by the BLM |

25. Signature Clifton May	Name (Printed/ Typed) Clifton May	Date 6/17/2011
Title Land Regulatory Agent		
Approved By (Signature) /s/ Don Peterson	Name (Printed/ Typed)	Date AUG 30 2011
Title FIELD MANAGER		
Office CARLSBAD FIELD OFFICE		

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

Conditions of approval, if any, are attached.

APPROVAL FOR TWO YEARS

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and wilfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

*(Instructions on page 2)

Roswell Controlled Water Basin

**SEE ATTACHED FOR
CONDITIONS OF APPROVAL**

**Approval Subject to General Requirements
& Special Stipulations Attached**

[Signature]

YATES PETROLEUM CORPORATION
Golly BRG Federal Com #1-H
550' FSL and 1000' FEL, 34-16S-27E, Surface Location
940' FSL & 330' FEL, 35-16S-27E, Bottom Hole
Lea County, New Mexico

1. The estimated tops of geologic markers are as follows:

Seven Rivers	490'	Wolfcamp	6345'
Queen	980'	Pilot Hole TD	6500'
San Andres	1650'	KOP	5825'
Glorieta	3150'	EOC	6310' 6590' MD
Tubb	4420'	EOL	6230' 11695 MD
ABO	5180'		

2. The estimated depths at which anticipated water, oil or gas formations are expected to be encountered:

Water: 200'
Oil or Gas: 980', 1650', 3150', 5180', & 6346'

3. Pressure Control Equipment: BOPE with a 13 5/8" opening will be installed on the 13 3/8" and 9 5/8" casing and rated for 3000# BOP System. Pressure tests will be conducted before drilling out from under all casing strings, which are set and cemented in place. Blowout Preventer controls will be installed prior to drilling the surface plug and will remain in use until the well is completed or abandoned. Preventers will be inspected and operated at least daily to ensure good mechanical working order, and this inspection recorded on the daily drilling report. See Exhibit B.
4. Auxiliary Equipment: Kelly cock, pit level indicators, flow sensor equipment, and a sub with full opening valve to fit the drill pipe and collars will be available on the rig floor in the open position at all times for use when Kelly is not in use.
5. THE PROPOSED CASING AND CEMENTING PROGRAM:

A. Casing Program: All new casing to be used

<u>Hole Size</u>	<u>Casing Size</u>	<u>Wt./Ft</u>	<u>Grade</u>	<u>Coupling</u>	<u>Interval</u>	<u>Length</u>
17 1/2"	13 3/8"	48#	J-55	ST&C	0-425'	425'
12 1/4"	9 5/8"	36#	J-55	ST&C	0-1750'	1750'
7 7/8"	5 1/2"	17#	HCP-110	LT&C	0-11695'	11695'

Minimum Casing Design Factors: Burst 1.0, Tensile Strength 1.8, Collapse 1.125

B. CEMENTING PROGRAM:

Surface Casing: Lead with 170 sacks Class C (YLD 1.34 Wt 14.8) with 2%CC, .25/PPS Polyflakes, 5%nacl. Tail in with 200 sacks Class C(YLD 1.33 WT 14.8) with .125 pps Polyflakes. Designed with 100% excess. TOC @ surface.

Intermediate Casing: Lead with 400 sacks C Lite (YLD 1.96 WT 12.9 with 5pps Gilsonite, .125pps/Polyflake, 5% nacl. Tail in with 200 sacks premium + C (YLD 1.33 WT 14.80). Cement designed with 100% excess. TOC @ surface.

Production Casing: Production cement to be done in 1 stage with cementing tool at approximately 6590'.

Stage One from 11695-6590': Packer port system with no cement in lateral.
After inflating packers, follow with cementing.

Stage two from 6590'-1250'', lead with 900 sacks 35/65/C (YLD 2.04 WT 12.6), 2% Antifoam, 6% Extender, 2% LMC, 0.125 lb/sack, .02% Retarder & 5% Salt. Tail in with 100 sacks C Neat with .2% Retarder (YLD 1.33 Wt. 14.8) based on 35% excess in lateral & 30% in vertical. TOC @ 1250'.

Well drilled to 6500'. Well will be logged, plugged back 6500'-6300' with 75 sacks Class H (YLD 1.0 WT 17.0) Plug must be tagged. 6200'-5600' with 250 sacks Clas H (YLD 1.0 WT 17.0) with .7% Dispersant, .2% Defoamer, .2% Retarder, kicked off at 5825 with 12 degrees per 100' and landed at 6582' MD (6303' TVD) & drilled laterally to 11695 MD (6230' TVD). The producing zone will be encountered at the penetration point of 563' FSL & 516' FEL.

6. MUD PROGRAM AND AUXILIARY EQUIPMENT:

Interval	Type	Weight	Viscosity	Fluid Loss
0-425'	Fresh Water	8.6-9.2	32-34	NC
425'-1750'	Fresh Water	8.6-9.2	32-40	20
1750'-6500'	Cut Brine	8.7-9.2	28-32	15
6500'-6590	Cut Brine	8.8-9.2	28-32	10-15
6590'-11695'	Cut Brine	8.7-9.2	28	10-12

7. EVALUATION PROGRAM: *See COA*

Samples: 10' out of intermediate casing

Logging: Platform Express; CNL/LDT/NGT TD to intermediate casing, XNL/GR TD to surface; DLL/MSFL TD to surface casing.

DST'S: None planned

CORING: None planned

MUDLOGGING: 2 man mudlogging from 1750'-TD

8. ABNORMAL CONDITIONS; BOTTOM HOLE PRESSURE, AND POTENTIAL HAZARDS:

Maximum Anticipated BHP:

0-425' 198 PSI

425'-1750' 910 PSI

1750'-6500' 3075 PSI

Abnormal Pressure Anticipated: None

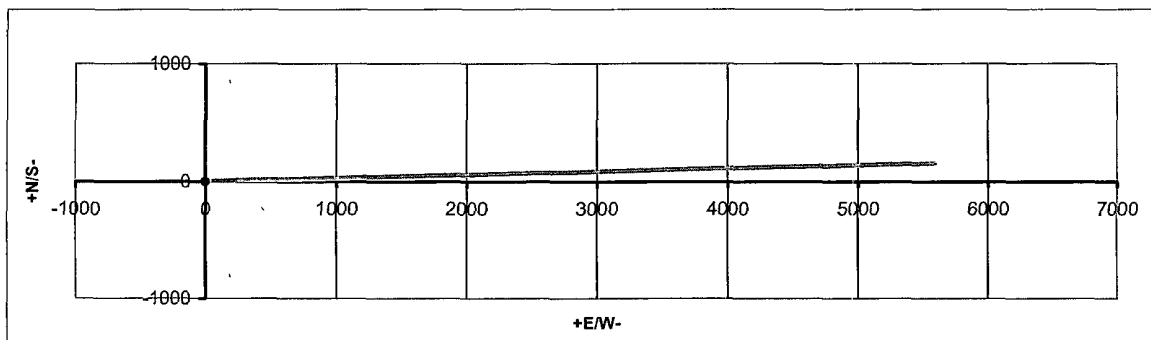
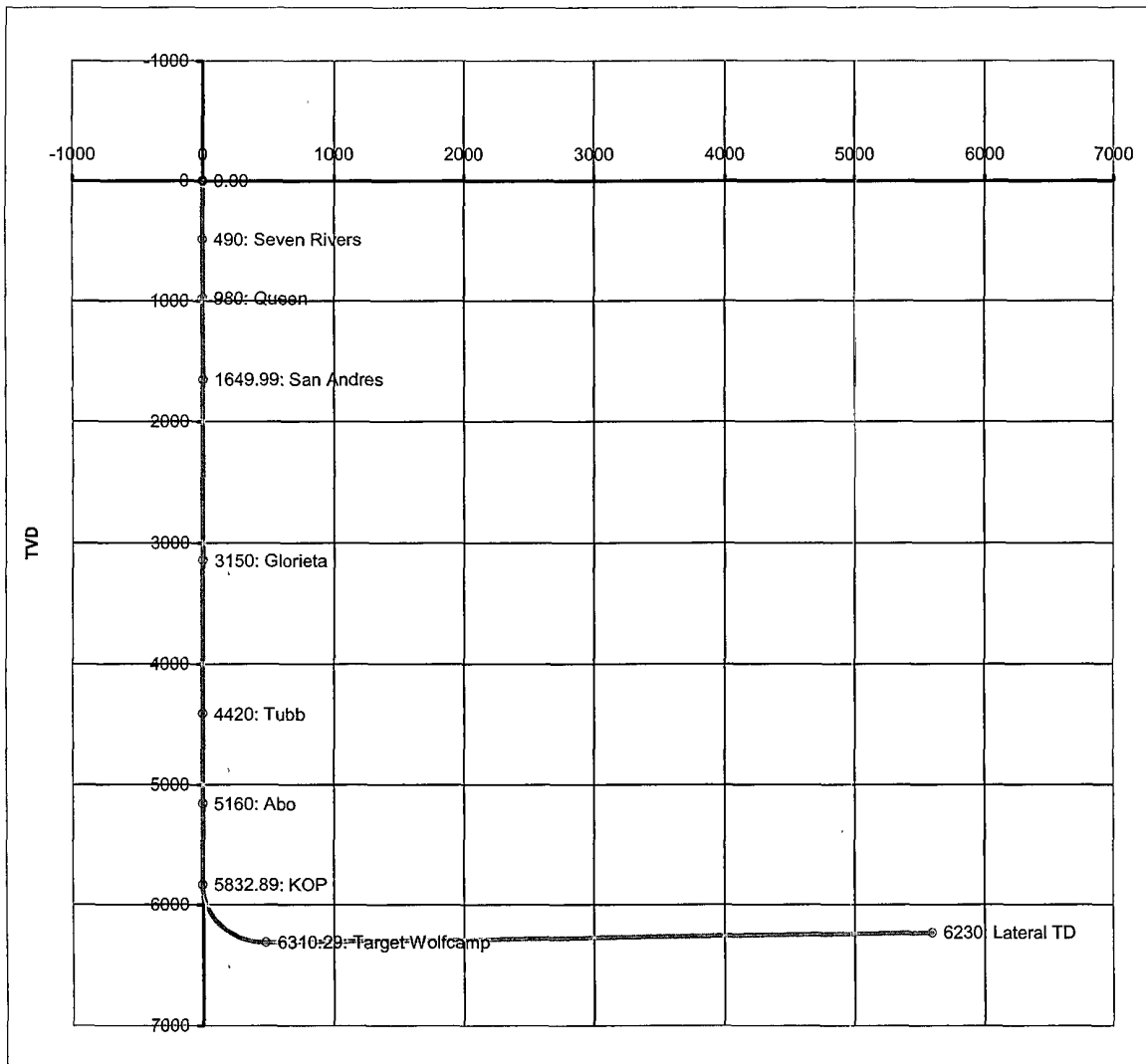
Lost Circulation Zones Anticipated: None

H2S Zones Anticipated: None

Maximum Bottom Hole Temperature: 130 F

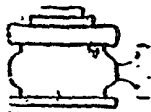
9. ANTICIPATED STARTING DATE:

Present plans are to drill this well as soon as possible after receiving approval. It should take approximately 65 days to drill the well with completions taking another 45 days.



Co: 0	Units: Feet, ° 7100ft	VS Az: 88.44	Tgt TVD: 6230.00
Drillers: 0	Elevation:	Tgt Radius: 0.00	Tgt MD: 0.00
Well Name: 0	Northing:	Tgt N/S: 151.87	Tgt Displ.: 0.00
Location: 0	Easting:	Tgt E/W: 5594.21	Method: Minimum Curvature

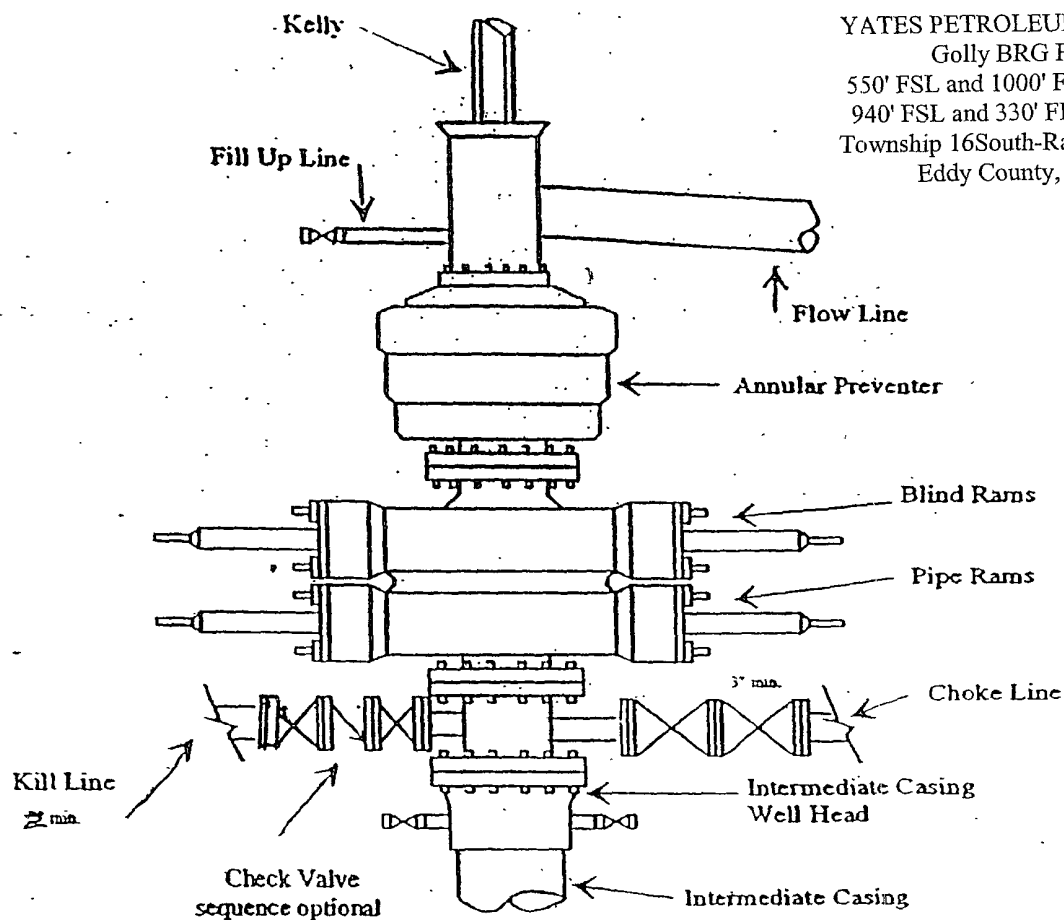
No	MD	CL	Inc	Azi	TVD	VS	+N/S	+E/W	BR	WR	DLS	Comments
0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00				
1	490.00	490.00	0.00	0.00	490.00	0.00	0.00	0.00	0.00	0.00	0.00	Seven Rivers
2	980.01	490.00	0.00	0.00	980.01	0.00	0.00	0.00	0.00	0.00	0.00	Queen
3	1649.98	669.98	0.00	0.00	1649.98	0.00	0.00	0.00	0.00	0.00	0.00	San Andres
4	3150.02	1500.04	0.00	0.00	3150.02	0.00	0.00	0.00	0.00	0.00	0.00	Glorieta
5	4419.99	1269.97	0.00	0.00	4419.99	0.00	0.00	0.00	0.00	0.00	0.00	Tubb
6	5159.99	740.00	0.00	0.00	5159.99	0.00	0.00	0.00	0.00	0.00	0.00	Abo
7	5825.75	665.76	0.00	88.44	5825.75	0.00	0.01	0.00	0.00	13.28	0.00	KOP
8	5900.00	74.25	8.91	88.44	5899.70	5.76	0.16	5.76	12.00	0.00	12.00	
9	6000.00	100.00	20.91	88.44	5996.16	31.44	0.86	31.43	12.00	0.00	12.00	
10	6100.00	100.00	32.91	88.44	6085.17	76.62	2.08	76.59	12.00	0.00	12.00	
11	6200.00	100.00	44.91	88.44	6162.84	139.32	3.79	139.26	12.00	0.00	12.00	
12	6300.00	100.00	56.91	88.44	6225.78	216.79	5.89	216.71	12.00	0.00	12.00	
13	6400.00	100.00	68.91	88.44	6271.23	305.66	8.30	305.54	12.00	0.00	12.00	
14	6500.00	100.00	80.91	88.44	6297.22	402.03	10.92	401.88	12.00	0.00	12.00	
15	6582.58	82.58	90.82	88.44	6303.17	484.30	13.15	484.12	12.00	0.00	12.00	Target Wolfcamp
16	11695.08	5112.50	90.82	88.44	6230.01	5596.27	151.87	5594.21	0.00	0.00	0.00	Lateral TD



Yates Petroleum Corporation

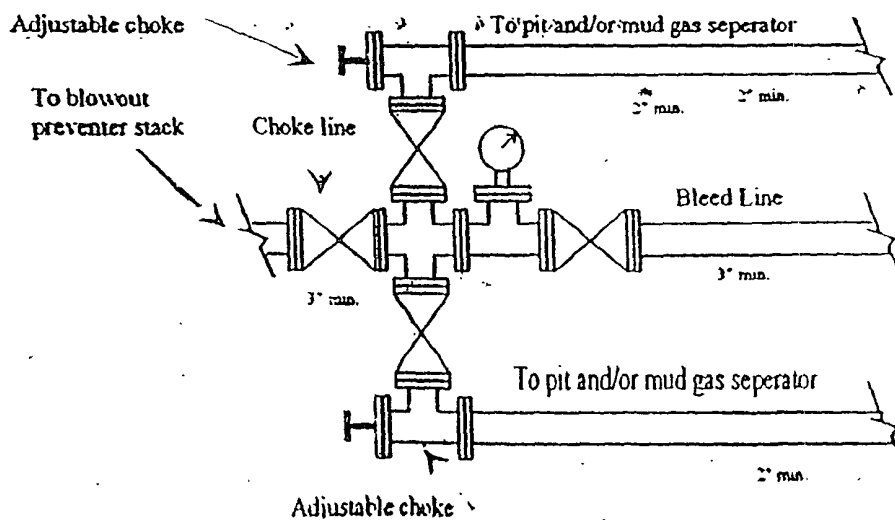
BOP-3

Typical 3,000 psi Pressure System Schematic Annular with Double Ram Preventer Stack



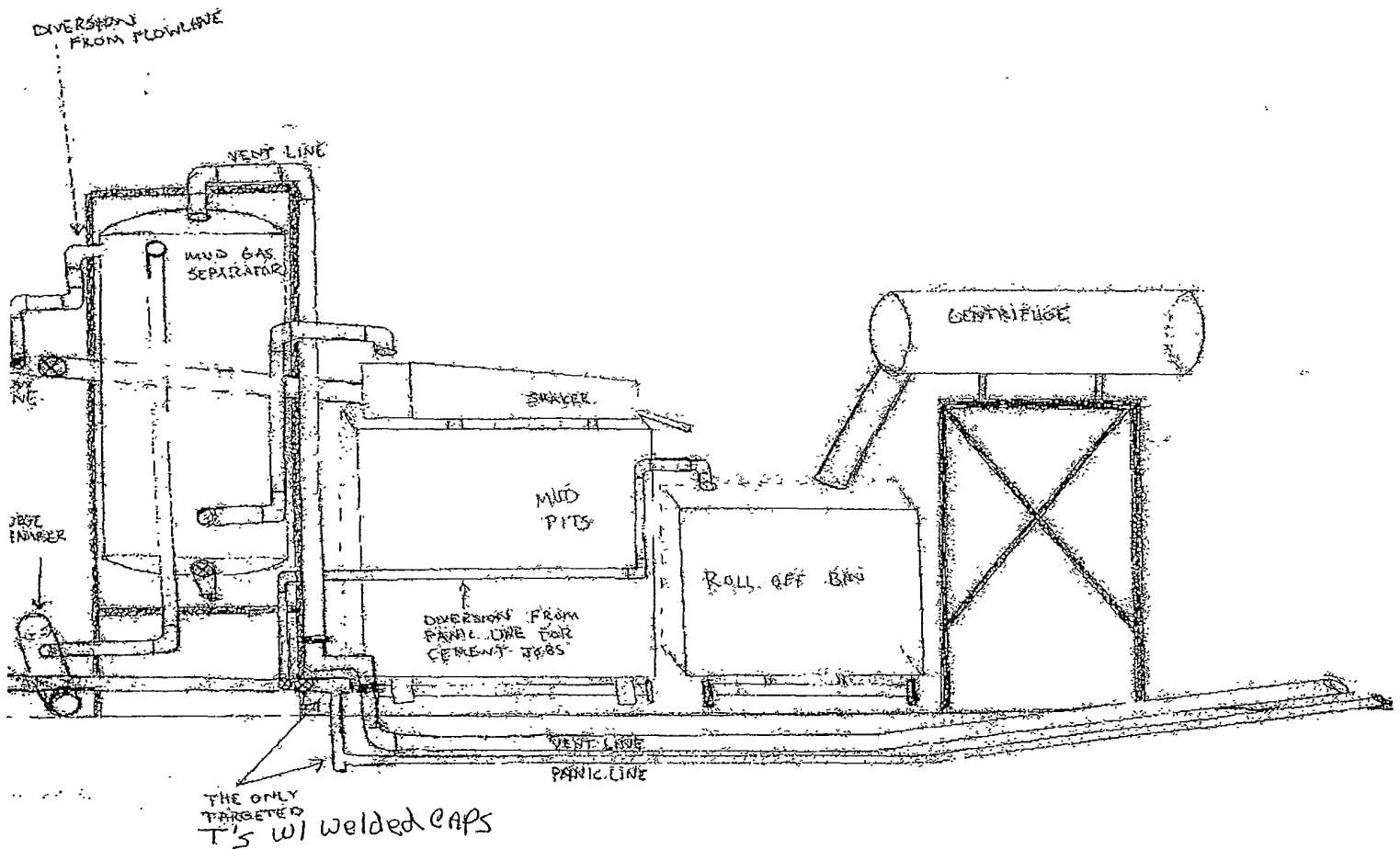
YATES PETROLEUM CORPORATION
Golly BRG Federal #1H
550' FSL and 1000' FEL Section 34 SHL
940' FSL and 330' FEL Section 35 BHL
Township 16South-Range 32East Exhibit D
Eddy County, New Mexico

Typical 3,000 psi choke manifold assembly with at least these minimum features



YATES PETROLEUM CORPORATION
Piping from Choke Manifold
to the Closed-Loop Drilling Mud System

YATES PETROLEUM CORPORATION
Golly BRG Federal #1H
550' FSL and 1000' FEL Section 34 SHL
940' FSL and 330' FEL Section 35 BHL
Township 16South-Range 32East Exhib E
Eddy County, New Mexico



DISTRICT I --- CHECKLIST FOR INTENTS TO DRILL

Operator YATES PETROLEUM CORP OGRID # 25575
 Well Name & # GOLLY ARG FED COM #1H Surface Type (F) (S) (P) (S)
 Location: UL P Sect 34, Township 16 s, RNG 27 e, Sub-surface Type (F) (S) (P) (S)
35 16 27

A. Date C101 rec'd ____/____/____ C101 reviewed ____/____/____

B. 1. Check mark, Information is OK on Forms.

OGRID 2 BONDING FED PROP CODE X, WELL # X, SIGNATURE ____

2. Inactive Well list as of: 9/23/11 # wells 2359 # Inactive wells 4

a. District Grant APD but see number of inactive wells:

No letter required X; Sent Letter to Operator ____, to Santa Fe ____

3. Additional Bonding as of: 9/23/11

a. District Denial because operator needs addition bonding.

No Letter required X; Sent Letter to Operator ____, To Santa Fe ____

b. District Denial because of Inactive well list and Financial Assurance

No Letter required X; Sent Letter to Operator ____, To Santa Fe ____

C. C102 YES ____, NO ____, Signature ____

1. Pool EMPIRE WC, NW, Code 97286

a. Dedicated acreage 200, What Units MNOP (35) P (34)

b. SUR. Location Standard X; Non-Standard Location X

c. Well shares acres: Yes ____, No X, # of wells ____ plus this well # ____

2. 2nd. Operator in same acreage, Yes ____, No X

Agreement Letter ____, Disagreement letter ____

3. Intent to Directional Drill Yes X, No ____

a. Dedicated acreage 200, What Units MNOP (35) P (34)

b. Bottomhole Location Standard X, Non-Standard Bottomhole ____

4. Downhole Commingle: Yes ____, No X

a. Pool #2 ____, Code ____, Acres ____

Pool #3 ____, Code ____, Acres ____

Pool #4 ____, Code ____, Acres ____

5. POTASH Area Yes ____, No X

D. Blowout Preventer Yes X, No ____

E. H2S Yes ____, No ____

F. C144 Pit Registration Yes ____, No ____

G. Does APD require Santa Fe Approval:

1. Non-Standard Location: Yes ____, No X, NSL # ____

2. Non-Standard Proration: Yes ____, No X, NSP # ____

3. Simultaneous Dedication: Yes ____, No X, SD # ____

Number of wells ____ Plus # ____

4. Injection order Yes ____, No X; PMX # ____ or WFX # ____

5. SWD order Yes ____, NO X; SWD # ____

6. DHC from SF X, DHC-HOB ____; Holding ____

7. OCD Approval Date ____/____/____

API #30-0 15-38449

8. Reviewers _____