OPERATOR'S COPY

Form 3160-3
(February 2005)

JUN 19 2008
OCD-ARTESIA

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

5 Lease Serial No: **NM-101579**

6 If Indian, Allottee or Tribe Name: **N/A**

7 If Unit or CA Agreement, Name and No: **N/A**

8 Lease Name and Well No: **Grid Iron BLI Federal Com. #1H**

9 API Well No: 30-005-64033

1a Type of Work: [x] DRILL [ ] REENTER

1b. Type of Well: [ ] Oil Well [x] Gas Well [ ] Other [ ] Single Zone [ ] Multiple Zone

2. Name of Operator: **Yates Petroleum Corporation 025575**

3a Address: **105 South Fourth Street, Artesia, NM 88210**

3b Phone No (include area code): **505-748-1471**

10 Field and Pool, or Exploratory: **The Coyote; Wolfcamp Gas Pool**

4 Location of well *(Report location clearly and In accordance with any State requirements *)*
At surface: **1980' FSL & 230' FEL. UL I, NESE, Sec. 1-12S-26E**
At proposed prod. zone: **1900 FSL & 660' FEL, UL I, NESE, Sec. 6-12S-27E**

11 Sec, T, R, M., or Blk And Survey or Area

14 Distance in miles and direction from the nearest town or post office*: **Approximately 22 miles east of Roswell, New Mexico**

12 County or Parish: **Chaves**

13 State: **NM**

15 Distance from proposed* location to nearest property or lease line, ft (Also to nearest drlg unit line, if any): **760'**

16 No of acres in lease: **1443.30**

17 C: **320 S/2**

18 Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft: **20'**

19 Proposed Depth

20 BLM/ BIA Bond No on file: **NATIONWIDE BOND #NMB000434**

21 Elevations (Show whether DF, KDB, RT, GL, etc): **3748' GL**

22 Aproximate date work will start*: **ASAP**

23 Estimated duration

24 Attachments

ROSWELL CONTROLLED WATER BASIN

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.
2. A Drilling Plan
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)
4 Bond to cover the operations unless covered by existing bond on file(see item 20 above)
5 Operator certification
6 Such other site specific information and/ or plans as may be required by the BLM

25. Signature (signed)	Name (Printed/ Typed) **Debbie L. Caffall**	Date **5/21/2008**
Title **Regulatory Agent/Land Department - debbiec@ypc.com**		
Approved By (Signature) (signed)	Name (Printed/ Typed) /s/ Jerry Dutchover	Date JUN 13 2008
Title Acting Assistant Field Manager, Lands And Minerals	Office ROSWELL FIELD OFFICE	APPROVED FOR 2 YEARS

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 cc operations thereon
Conditions of approval, if any, are attached

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)* C-144 Attached

DECLARED WATER BASIN

ENTERED

ENTERED

APPROVAL SUBJECT TO GENERAL REQUIREMENTS AND SPECIAL STIPULATIONS ATTACHED

CEMENT BEHIND THE 13⅜" CASING MUST BE CIRCULATED WITNESS

INSTRUCTIONS

GENERAL: This form is designed for submitting proposals to perform certain well operations, as indicated, on Federal an Indian lands and leases for action by appropriate Federal agencies, pursuant to applicable Federal laws and regulations Any necessary special concerning the use of this form and the number of copies to be submitted, particularly with regard to local, area, or regional procedures and practices, either are shown below or will be issued by, or may be obtained from, the local Federal and/or State office

ITEM 1: If the proposal is to redrill to the same reservoir at a different subsurface location or to a new reservoir, use this form with appropriate notations Consult applicable Federal regulations concerning subsequent work proposals or reports on the well

ITEM 4: *Locations on* Federal or Indian land should be described in accordance with Federal requirements Consult local Federal offices for specific instructions

ITEM 14 Needed only when location of well cannot readily be found by road from the land or lease description. A plat, or plats, separate or on this reverse side, showing the roads to, and the surveyed location of, the well, and any other required information, should be furnished when required by Federal agency offices

ITEMS 15 AND 18: If well is to be, or has been directionally drilled, give distances for subsurface location of hole in any present or objective production zone

ITEM 22: Consult applicable Federal or State regulations, or appropriate officials, concerning approval of the proposal before operations are started.

BLM would like you to know that you do not have to respond to this or any other Federal agency- sponsored informatio collectio unless it displays a currently valid OMB control number.

NOTICE

The Privacy Act of 1974 and the regulation in 43 CFR 2 48(d) provide that you be furnished the following information in connection with information required by this application
AUTHORITY: 30 U S C. 181 et seq , 25 U~S-C- 396, 43 CFR Part 3160
PRINCIPAL PURPOSES: The information will be used to (1) process and evaluate your application for a permit to drill a new oil, gas, or service well or to reenter a plugged and abandoned well, and (2) document, for administrative use, information for the management, disposal and use of National Resource Lands and resources including (a) analyzing your proposal to discover and extract the Federal or Indian resources encountered, (b) reviewing procedures and equipment and the projected impact on the land involved, and (c) evaluating the effects of the proposed operation on the surface and subsurface water and other environmental impacts
ROUTINE USE: (1) The analysis of the applicant's proposal to discover and extract the Federal or Indian resources encountered (2) The review of procedures and equipment and the projected impact on the land involved (3) The evaluation of the effects of proposed operation on surface and subsurface water and other environmental impacts (4)(5) Information from the record and/or the record will be transferred to appropriate Federal, State, local or foreign agencies, when relevant to civil, criminal or regulatory investigations or prosecutions, as well as routine regulatory responsibility
EFFECT OF NOT PROVIDING INFORMATION: Filing of this application and disclosure of the information is mandatory only if the operator elects to initiate drilling operation on an oil and gas lease

BURDEN HOURS STATEMENT

Public reporting burden for this form is estimated to average 30 minutes per response, including the time for reviewing instructions, gathering and maintaining data, and completing and reviewing the form Direct comments regarding the burden estimate or any other aspect of this form to U S. Department of the Interior, Bureau of Land Management, (Alternate) Bureau Clearance Officer, (WO-771), 1849 C Street, N W , Washington, D C 20240, and the Office of Management and Budget, Paperwork Reduction Project (1004-0136), Washington, D C 20503

The Paperwork Reduction Act of 1980 (44 IJ S C 3501 et seq) requires us to inform you that
This information is being collected to allow evaluation of the technical, safety, and environmental factors involved with drilling for oil and/or gas on Federal and Indian oil and gas leases
This information will be used to analyze and approve applications
Response to this request is mandatory only if the operator elects to initiate drilling or reentry operations on an oil and gas lease

DISTRICT I
1625 N. French Dr., Hobbs, NM 88240
DISTRICT II
1301 W. Grand Avenue, Artesia, NM 88210
DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410
DISTRICT IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION

1220 South St. Francis Dr.
Santa Fe, New Mexico 87505

Form C-102
Revised October 12, 2005

Submit to Appropriate District Office
State Lease – 4 Copies
Fee Lease – 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Pool Name
30-005-64033	97361	The Coyote; Wolfcamp Gas Pool

Property Code	Property Name	Well Number
37239	GRID IRON "BLI" FEDERAL COM	1H

OGRID No.	Operator Name	Elevation
025575	YATES PETROLEUM CORP.	3748'

Surface Location

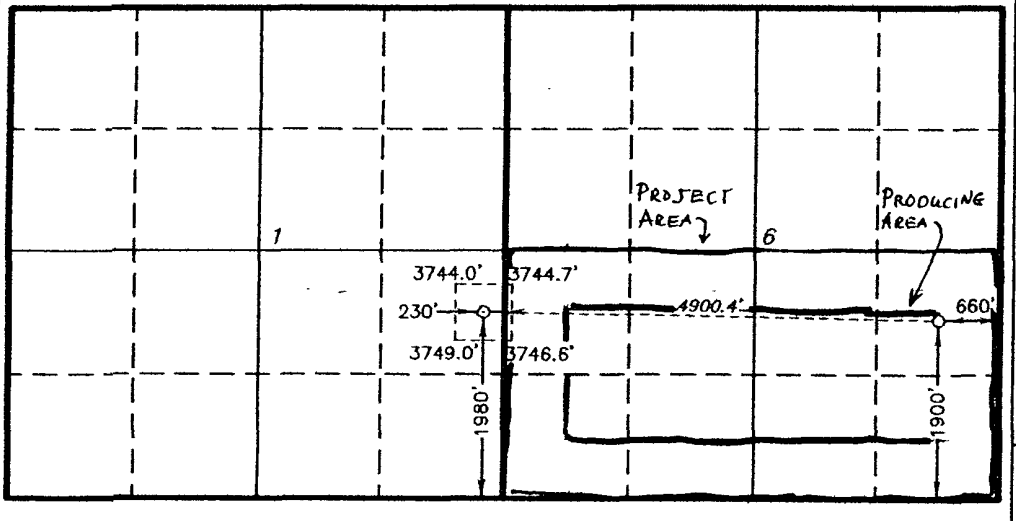
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
I	1	12 S	26 E		1980	SOUTH	230	EAST	CHAVES

Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
I	6	12 S	27 E		1900	SOUTH	660	EAST	CHAVES

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.
320 S/2			

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



SURFACE LOCATION
Lat – N33°18'17.83"
Long – W104°17'09.05"
SPC– N.: 838492.283
E.: 555848.721
(NAD-83)

BOTTOM HOLE LOCATION
Lat – N33°18'18.15"
Long – W104°16'11.33"
SPC– N.: 838526.795
E.: 560747.630
(NAD-83)

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 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.

Debbie L. Caffall 5/20/2008
Signature Date

Debbie L. Caffall
Printed Name

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 supervison, and that the same is true and correct to the best of my belief.

MAY 15, 2008
Date Surveyed

Signature & Seal of Professional Surveyor
GARY L. JONES
NEW MEXICO
7977
REGISTERED PROFESSIONAL SURVEYOR

W.O.

Certificate No. Gary L. Jones 7977

BASIN SURVEYS

YATES PETROLEUM CORPORATION
Grid Iron BLI Federal #1H
1980' FSL and 230' FEL Unit I, Section 1-T12S-R26E (NESE) (Surface Hole)
1900' FSL and 660' FEL Unit I, Section 6-T12S-R27E (NESE) (Bottom Hole)
Chaves County, New Mexico

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

Queen	510'	Tubb	3685'
Penrose	595'	ABO	4437'
Grayburg	795'	Abo Dolomite	4782'
San Andres	1035'	Wofcamp	5569'
Glorieta	2225'	TVD	5085
Yeso	2335'	MD	9530'

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

   Water: 130'
   Oil or Gas: **Oil:** Queen, Penrose, Grayburg, & San Andres.
   Gas: Abo Dolomite, Wolfcamp.

3. Pressure Control Equipment: BOPE will be installed on the 8 5/8" casing and the rated for 3000# BOP systems will be consistent with API RP 53. Pressure tests will be conducted before drilling out from under all casing strings, which are set and cemented in place. Blowout Preventor controls will be installed prior to drilling the surface plug and will remain in use until the well is completed or abandoned. Preventors 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.

   Auxiliary Equipment:
   A. 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.

4. THE PROPOSED CASING AND CEMENTING PROGRAM:
   A. Casing Program: (All New)

Hole Size	Casing Size	Wt./Ft	Grade	Coupling	Interval	Length
17 1/2"	13 3/8"	48#	H-40	ST&C	0-1100'	1100'
12 1/4"	8 5/8"	32#	J-55	ST&C	0-4400'	4400'
12 1/4"	8 5/8"	32#	HCK-55	ST&C	4400'-5569'	1169'
7 7/8"	5 1/2"	17#	HCP-110	LT&C	0-8995'	9530'

Well will be drilled vertically to approximately 4270'. At 4270' well will be kicked off and directionally drilled at 8.02 degrees per 100' with an 12 1/4" hole to 5569' MD (4991' TVD) where 8 5/8" casing will be set and cemented. The hole will be reduced to a 7. 7/8" and drilled at 12 degrees per 100' to a measured depth of 9530' (5085 TVD). The 5.1/2" casing will be ran and cemented back to 3800'.

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

B. CEMENTING PROGRAM:
Surface Casing: 600 sx C Lite + 2% CaCl2 (WT 12.60 YLD 2.10).
Tail in with 200 sx C + 2% CaCl2 (WT 14.80 YLD 1.32).

Intermediate Casing: 1525 sx LiteCrete (WT 9.90 YLD 2.83), Tail in with 200 sx PecosVILt (WT 13.00 YLD 1.41)

Production Casing: 1525 sx 50-50 Poz. (WT 14.20 YLD 1.30).

5. MUD PROGRAM AND AUXILIARY EQUIPMENT:

Interval	Type	Weight	Viscosity	Fluid Loss
0-1100'	FW Gel	8.40-8.60	32-36	N/C
1100'-1500'	FW	8.40-8.40	28-28	N/C
1500'-4270'	Cut Brine	9.30-9.50	28-28	N/C
4270'-9530'	Saltgel/Starch/4-6% KCL Lateral Section	9.40-9.60	45-55	N/C

Sufficient mud material(s) to maintain mud properties, control lost circulation and contain a blow out will be available at the well site during drilling operations. Rig personnel will check mud hourly.

6. EVALUATION PROGRAM:
Samples: 10" samples from intermediate.
Logging: Platform Express-CNL/LDT/NGT TD to surface casing; CNL/GR TD to surface; DLL/MSFL TD to surface casing; BHC Sonic TD to surface casing.
Coring: None anticipated
DST's: None Anticipated
Mudlogging: Yes

7. ABNORMAL CONDITIONS, BOTTOM HOLE PRESSURE, AND POTENTIAL HAZARDS:

Anticipated BHP:
From: 0' TO: 1100' TVD Anticipated Max. BHP: 492 PSI
From: 1100' TO: 5085' TVD Anticipated Max. BHP: 2540 PSI

Abnormal Pressures Anticipated: None

Lost Circulation Zones Anticipated: None.

H2S Zones Anticipated: None Anticipated

Maximum Bottom Hole Temperature: 168 F

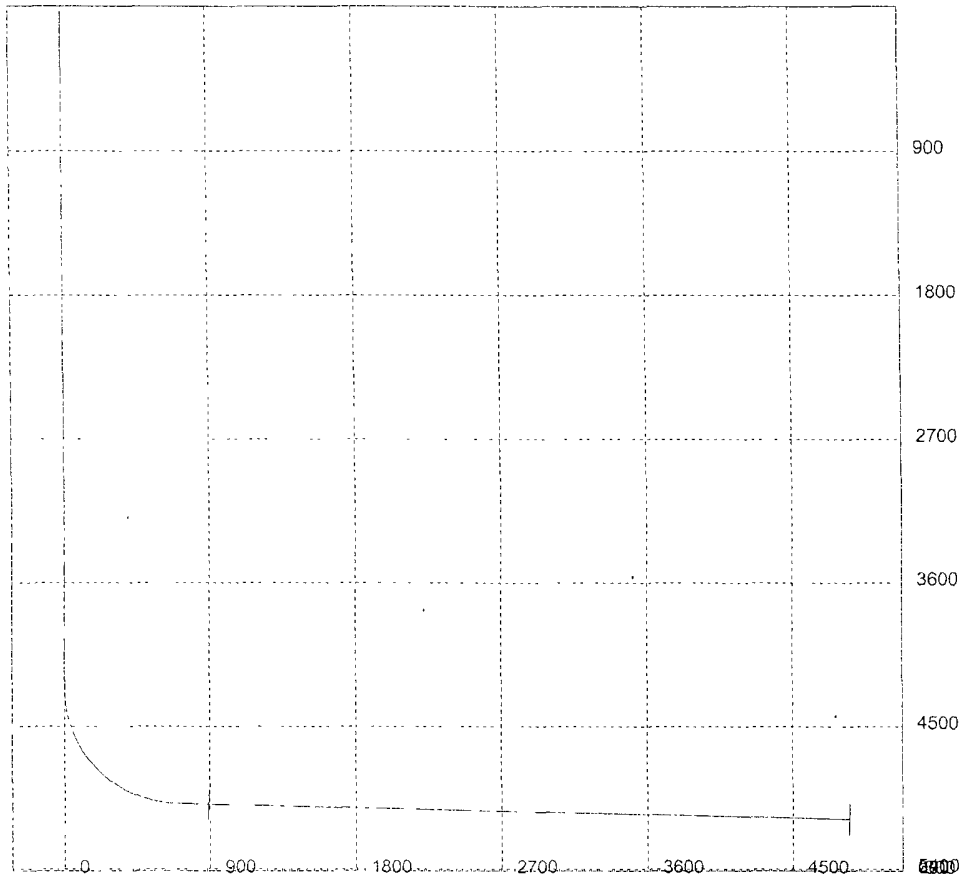
8. ANTICIPATED STARTING DATE:
Plans are to drill this well as soon as possible after receiving approval. It should take approximately 45 days to drill the well with completion taking another 40 days.

MD	Inclination	Azimuth	TVD	N/S	E/W	DLS	Tool face	TFR Ref HS/GN	
0	0	0	0	0	0	0			
510	0	0	510	0	0	0			QUEEN
595	0	0	595	0	0	0			PENROSE
795	0	0	795	0	0	0			GRAYBURG
1,035	0	0	1,035	0	0	0			SAN ANDRES
2,225	0	0	2,225	0	0	0			GLORIETA
2,335	0	0	2,335	0	0	0			YESO
3,685	0	0	3,685	0	0	0			TUBB
4270	0	0	4270	0	0	8	91	GN	KOP
4275	0 4	90.94	4275	0	0 02	8	0	HS	
4300	2 4	90 94	4299 99	-0 01	0 63	8	360	HS	
4325	4.4	90 94	4324 95	-0.03	2 11	8	0	HS	
4350	6 4	90 94	4349 83	-0.07	4 46	8	360	HS	
4375	8 4	90 94	4374 63	-0 13	7 68	8	360	HS	
4400	10 4	90 94	4399 29	-0 19	11 76	8	0	HS	
4425	12 4	90 94	4423 79	-0 28	16 7	8	0	HS	
4437	13 36	90 94	4435 49	-0 32	19 38	8	0	HS	ABO
4450	14 4	90.94	4448 11	-0 37	22 5	8	0	HS	
4475	16 4	90 94	4472 21	-0 48	29 14	8	0	HS	
4500	18 4	90 94	4496 07	-0 6	36 61	8	0	HS	
4525	20.4	90 94	4519 65	-0 74	44 91	8	0	HS	
4550	22 4	90 94	4542.92	-0 89	54 03	8	360	HS	
4575	24 4	90.94	4565 86	-1 05	63 96	8	0	HS	
4600	26 4	90 94	4588 45	-1 23	74 68	8	360	HS	
4625	28 4	90 94	4610 64	-1 42	86 18	8	360	HS	
4650	30 4	90 94	4632 42	-1 62	98 45	8	360	HS	
4675	32 4	90 94	4653 76	-1 84	111 48	8	0	HS	
4700	34 4	90 94	4674 63	-2 07	125 24	8	360	HS	
4725	36 4	90 94	4695 01	-2 3	139 72	8	360	HS	
4750	38 4	90 94	4714 86	-2 55	154 9	8	0	HS	
4775	40 4	90 94	4734 18	-2 82	170 76	8	0	HS	
4782	40 96	90 94	4739 49	-2 89	175 32	8	360	HS	ABO DOLOMITE
4800	42 4	90 94	4752 93	-3 09	187 29	8	0	HS	
4825	44 4	90 94	4771 1	-3 37	204 47	8	0	HS	
4850	46 4	90 94	4788 65	-3 67	222 26	8	0	HS	
4875	48 4	90 94	4805 57	-3 97	240 66	8	0	HS	
4900	50 4	90 94	4821 84	-4 28	259 64	8	360	HS	
4925	52 4	90 94	4837 44	-4 6	279 18	8	0	HS	
4950	54 4	90 94	4852 34	-4 94	299 24	8	0	HS	
4975	56 4	90 94	4866 54	-5 28	319 82	8	0	HS	
5000	58 4	90 94	4880	-5 62	340 87	8	360	HS	
5025	60 4	90 94	4892 73	-5 98	362 39	8	0	HS	
5050	62 4	90 94	4904 7	-6 34	384 33	8	0	HS	
5075	64 4	90 94	4915 89	-6 71	406 68	8	0	HS	
5100	66 4	90 94	4926 3	-7 08	429 41	8	0	HS	
5125	68 4	90 94	4935 9	-7 46	452 49	8	360	HS	
5150	70 4	90 94	4944 7	-7 85	475 88	8	0	HS	
5175	72 4	90 94	4952 67	-8 24	499 57	8	360	HS	
5200	74 4	90 94	4959 81	-8 64	523 53	8	0	HS	
5225	76 4	90 94	4966 12	-9 03	547 71	8	0	HS	
5250	78 4	90 94	4971 57	-9 44	572 11	8	0	HS	
5275	80 4	90 94	4976 17	-9 84	596 68	8	360	HS	
5300	82 4	90 94	4979 91	-10 25	621 39	8	0	HS	
5325	84 4	90 94	4982 78	-10 66	646 22	8	0	HS	
5350	86 4	90 94	4984 78	-11 07	671 14	8	0	HS	
5375	88 4	90 94	4985 92	-11 48	696 11	8	0	HS	
5376 24	88 5	90 94	4985 95	-11 5	697 34	8	0	HS	
5568 99	88 5	90 94	4991	-14 68	890	0			WOLFCAMP
5568 99	88 5	90 94	4991	-14 68	890	12	0	HS	
5570 14	88 64	90 95	4991 03	-14 7	891 15	12	0	HS	
9530 64	88 64	90 95	5085	-80	4850	0			Lateral TD

Well will be drilled vertically to approx 4270' At 4270' well will be kicked off and directionally drilled at 8 degrees per 100' with a 12 1/4" hole to 5569' MD where 8 5/8" will be set Hole will then be reduced to 7 7/8" and drilled at 12 degrees per 100' to 9530' MD Where 5 1/2" casing will be set and cemented

3D³ Directional Drilling Planner - 3D View

Company. **Yates Petroleum Corporation**
Well: **Grid Iron BLI Federal Com. #1H**



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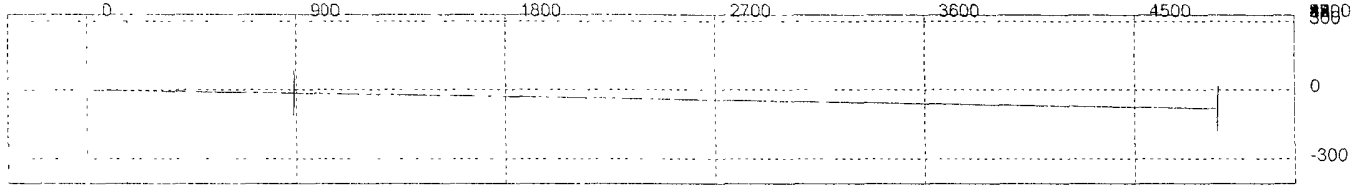
3D³ Directional Drilling Planner - 3D View

Company: **Yates Petroleum Corporation**
Well: **Grid Iron BLI Federal Com. #1H**



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MULTI-POINT SURFACE USE AND OPERATIONS PLAN
YATES PETROLEUM CORPORATION
Grid Iron BLI Federal #1H
1980' FSL and 230' FEL Unit I, Section 1-T12S-R26E,(NESE) (SL/Pilot Hole)
1980' FSL and 660' FEL Unit I, Section 6-T12S-R27E, (NESE) (Bottom Hole)
Chaves County, New Mexico

This plan is submitted with Form 3160-3, Application for Permit to Drill, covering the above described well. The purpose of this plan is to describe the location of the proposed well, the proposed construction activities and operations plan, the magnitude of the surface disturbance involved and the procedures to be followed in rehabilitating the surface after completion of the operations, so that a complete appraisal can be made of the environmental effect associated with the operations.

1. EXISTING ROADS:

Exhibit A is a portion of the BLM map showing the well and roads in the vicinity of the proposed location. The proposed well site is located approximately 22 miles east of Roswell, New Mexico and the access route to the location is indicated in red and green on Exhibit A.

DIRECTIONS:
Go east of Roswell, NM on Highway 380 for approximately 11.2 miles to NM-409. Turn right (south) and continue for approximately 6.5 miles to Wichita Road. Turn left onto Wichita Road and continue south for approximately 2.1 miles. Turn left (east) onto existing lease road cattle guard w/lock (combination 2112). Must remain closed and locked at all times. Continue east approximately 1 mile, road turns north. Turn left and continue north for approximately 1.2 miles. The road turns east to the Football BCF Federal #1 location. The new road will start here and go in an easterly direction for approximately 0.7 of a mile to the southwest corner of the pad.

2. PLANNED ACCESS ROAD:

A. The access road is existing as it is shared with the Football BCF Federal #2H.
B. The route of the road is visible.
C. Existing roads will be maintained in the same or better condition.

3. LOCATION OF EXISTING WELL:

A. There is drilling activity within a one-mile radius of the well site.
B. Exhibit D shows existing wells within a one-mile radius of the proposed well site.

4. LOCATION OF EXISTING AND/OR PROPOSED FACILITIES:

A. There are no production facilities on this lease at the present time.

B. In the event that the well is productive, the necessary production facilities will be installed on the drilling pad. If the well is productive oil, a gas or diesel self-contained unit will be used to provide the necessary power. No power will be required if the well is a producing gas well.

5. LOCATION AND TYPE OF WATER SUPPLY:

A. It is planned to drill the proposed well with a fresh water system. The water will be obtained from commercial sources and will be hauled to the location by truck over the existing and proposed roads shown in Exhibit A.

6. SOURCE OF CONSTRUCTION MATERIALS:

The dirt contractor will be responsible for finding a source of material for construction of road and pad and will obtain any permits that may be required.

7. METHODS OF HANDLING WASTE DISPOSAL:

A. Drill cuttings will be disposed of in the reserve pits.
B. The reserve pits will be constructed and reclamation done according to NMOCD guidelines
C. Drilling fluids will be allowed to evaporate in the reserve pits until the pits are dry.
D. Water produced during operations will be collected in tanks until hauled to an approved disposal system, or separate disposal application will be submitted.
E. Oil produced during operations will be stored in tanks until sold.
F. Current laws and regulations pertaining to the disposal of human waste will be complied with
G. All trash, junk, and other waste materials will be contained in trash cages or bins to prevent scattering and will be removed and deposited in an approved sanitary landfill. Burial on site is not approved.

8. ANCILLARY FACILITIES: NONE

9. WELLSITE LAYOUT:

A. Exhibit C shows the relative location and dimensions of the well pad, the reserve pits, the location of the drilling equipment, rig orientation and access road approach.
B. The reserve pits will be plastic lined. Yates Petroleum Corporation is in full compliance with the OCD General Plan for Drilling Pits approved on April 15, 2004.
C. A 600' x 600' area has been staked and flagged.

10. PLANS FOR RESTORATION:

A. After finishing drilling and/or completion operations, all equipment and other material not needed for further operations will be removed. The location will be cleaned of all trash and junk to leave the well site in as aesthetically pleasing condition as possible.
B. Unguarded pits, if any, containing fluids will be fenced until they have dried and been leveled.
C. If the proposed well is plugged and abandoned, all rehabilitation and/or vegetation requirements of the Bureau of Land Management will be complied with and will be accomplished as expeditiously as possible. All pits will be reclaimed as required by the Oil Conservation Division.

11. SURFACE OWNERSHIP:

Elliot G. McMaster and Evelyn McMaster Trust under Trust Agreement dated December 18, 1990, P.O. Box 176, Datil, New Mexico 87821

Minerals: Federal Minerals, Administered by Bureau of Land Management - Roswell, New Mexico.

Yates Petroleum Corporation has reached and agreement with the Mc Masters as to operations on their lands.

12. OTHER INFORMATION:

A. Topography: Refer to the existing archaeological report for a description of the topography, flora, fauna, soil characteristics, dwellings, and historical and cultural sites.
B. The primary surface use is for grazing.

YATES PETROLEUM CORPORATION
105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210-2118
TELEPHONE (575) 748-1471

CERTIFICATION
YATES PETROLEUM CORPORATION
Grid Iron BLI Federal #1 H
1980' FSL and 230' FEL Unit I, 1-T12S-R26E, (NESE) (Surface Hole)
1980' FSL and 660' FEL Unit I, 6-T12S-R27E, (NESE) (Bottom Hole)
Chaves County, New Mexico

I hereby certify that I or the company I represent, have inspected the drill site and access route proposed herein; that the company I represent is familiar with the conditions which currently exist; that full knowledge of state and federal laws applicable to this operation; that the statements made in this APD package are, to the best of my knowledge, true and correct; and that the work associated with the operations proposed herein will be performed in conformity with this APD package and the terms and conditions under which it is approved. I also certify that the company I represent is responsible for the operations conducted under this application. These statements are subject to the provisions of 18 U.S.C. 1001 for the filing of false statements.

Executed this 21st day of May, 2008.

Printed Name Debbie L. Caffall

Signature Debbie L Caffall

Position Title Regulatory Agent

Address 105 South Fourth Street, Artesia, NM 88210

Telephone 575-748-4376

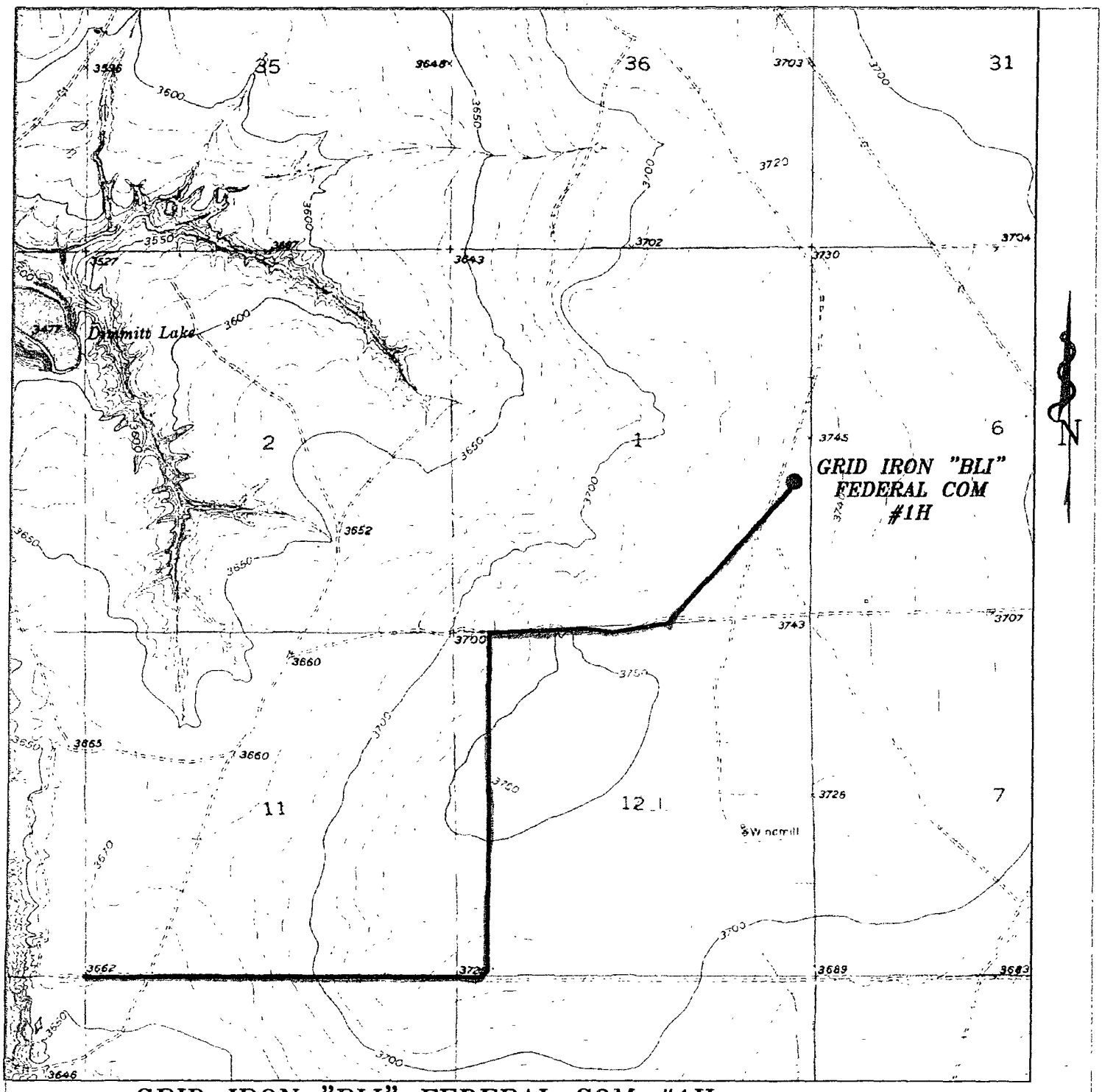
E-mail (optional) debbiec@ypcnm.com

Field Representative (if not above signatory) Tim Bussell

Address (if different from above) Same

Telephone (if different from above) 575-748-4221

E-mail (optional)



GRID IRON "BLI" FEDERAL COM #1H

Located at 1980' FSL AND 230' FEL
Section 1, Township 12 South, Range 26 East,
N.M.P.M., Chaves County, New Mexico.

EXHIBIT A

Basin Surveys
focused on excellence in the oilfield

P.O. Box 1786
1120 N. West County Rd.
Hobbs, New Mexico 88241
(505) 393-7316 - Office
(505) 392-3074 - Fax
basinsurveys.com

W.O. Number: 8156
Survey Date: 05-15-2008
Scale 1" = 2000
Date: 05-16-2008

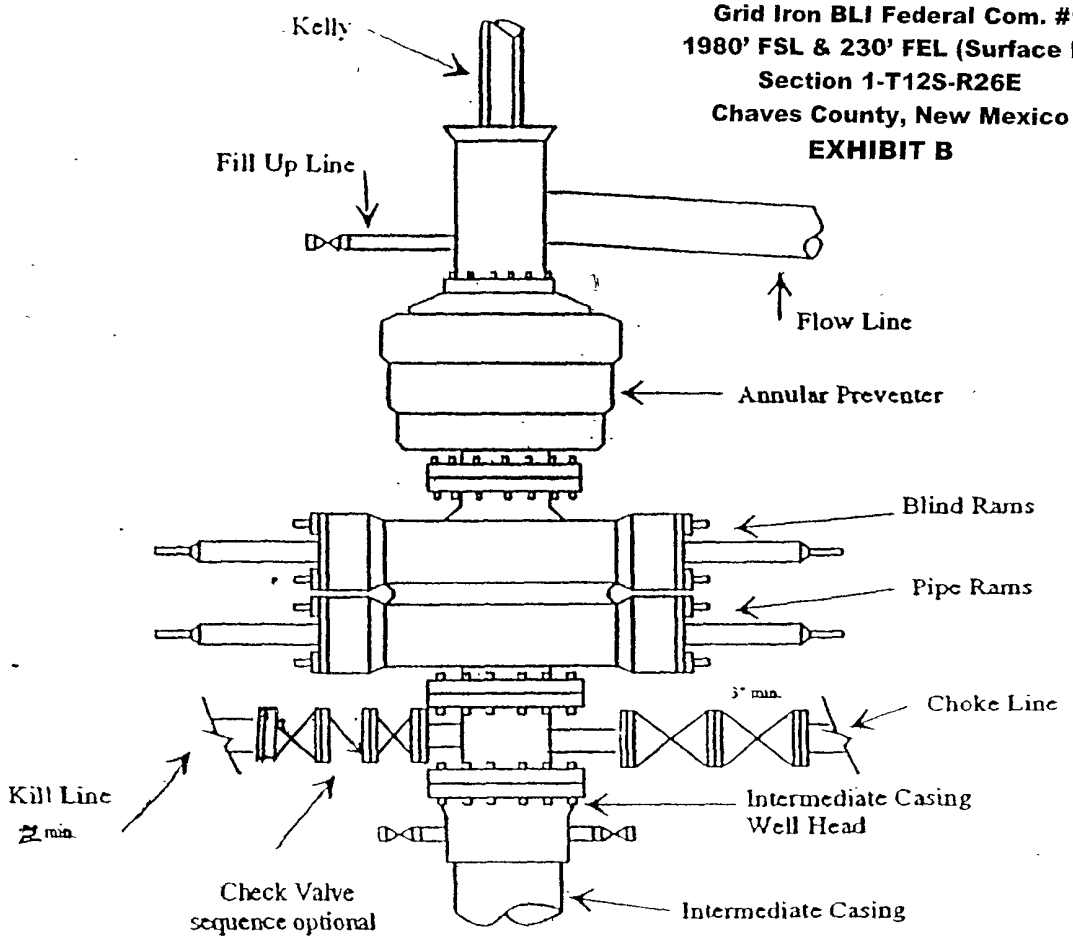
YATES PETROLEUM CORP.

Yates Petroleum Corporation

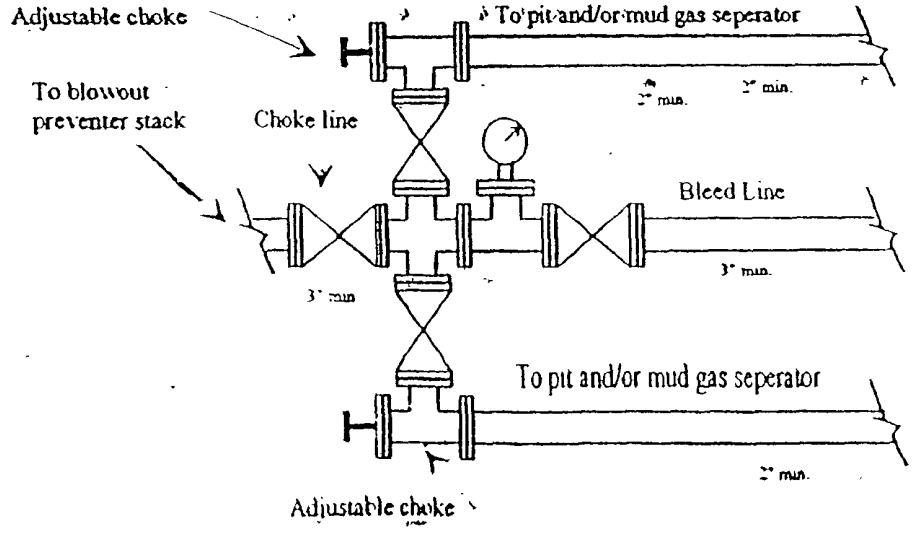
BOP-3

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

Grid Iron BLI Federal Com. #1H
1980' FSL & 230' FEL (Surface Hole)
Section 1-T12S-R26E
Chaves County, New Mexico
EXHIBIT B



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

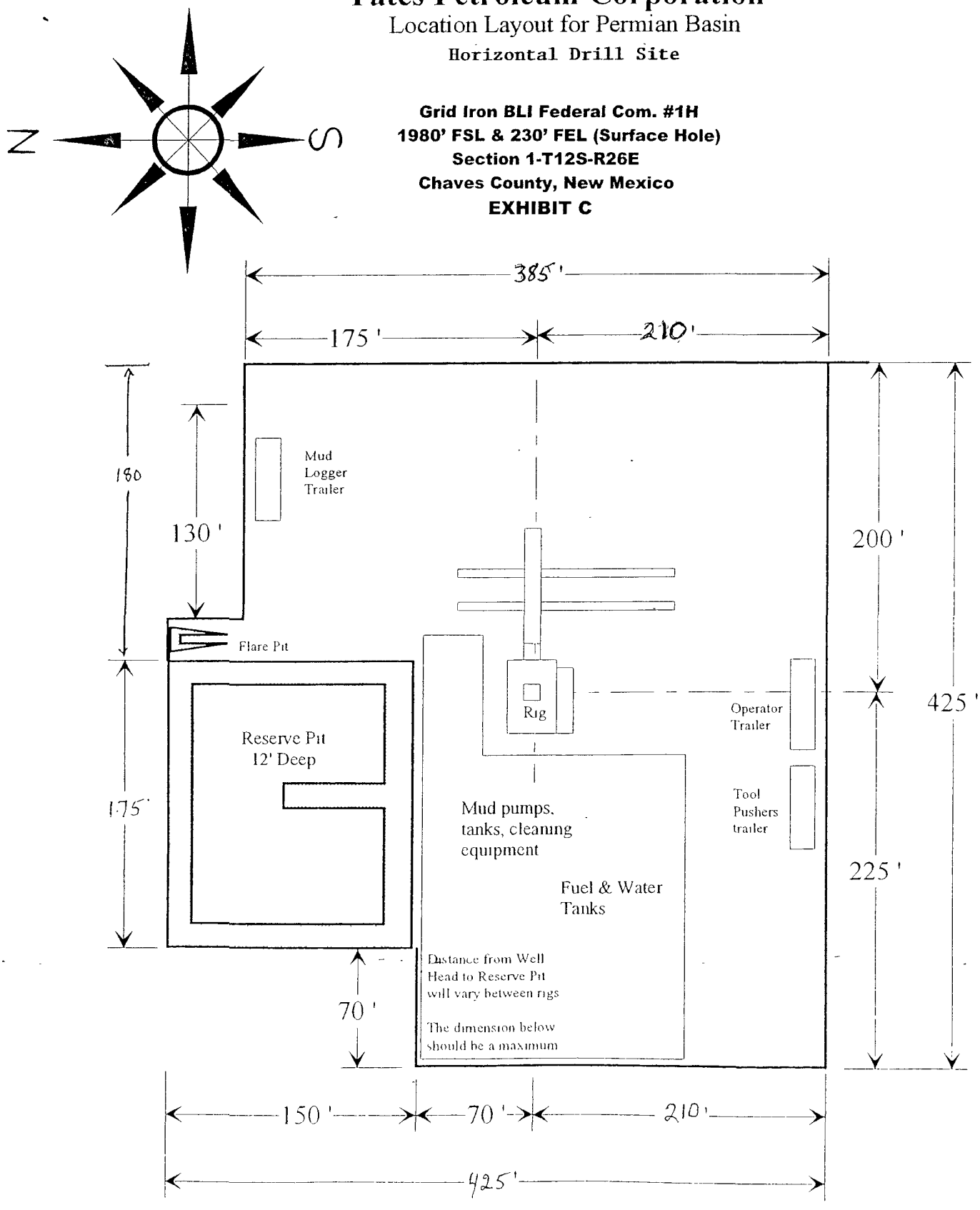


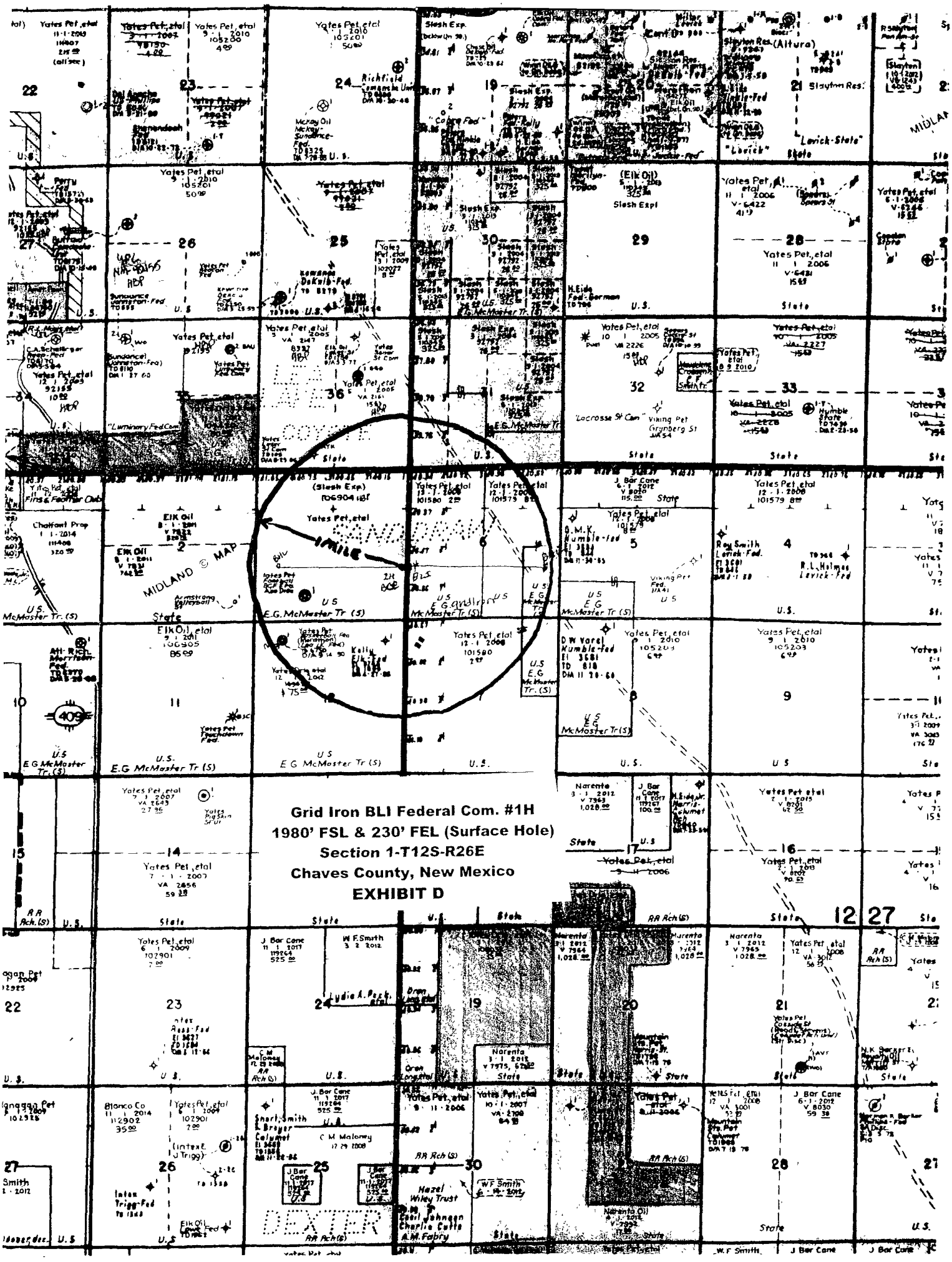
Yates Petroleum Corporation

Location Layout for Permian Basin

Horizontal Drill Site

Grid Iron BLI Federal Com. #1H
1980' FSL & 230' FEL (Surface Hole)
Section 1-T12S-R26E
Chaves County, New Mexico
EXHIBIT C




1 MILE
MIDLAND © MAP
Grid Iron BLI Federal Com. #1H
1980' FSL & 230' FEL (Surface Hole)
Section 1-T12S-R26E
Chaves County, New Mexico
EXHIBIT D

105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210-2118
TELEPHONE (575) 748-1471

As per BLM instructions, Yates Petroleum Corporation is tendering the $4,000.00 APD Processing Fee for the Grid Iron BLI Federal #1H, APD date submitted: May 21, 2008, Section 1, Township 12 South, Range 26 East, Chaves County, New Mexico.

Please be advised we are tendering this fee under protest as we believe it contradicts language in the Energy Policy Act of 2005 signed by President Bush.

THIS DOCUMENT CONTAINS A TRUE WATERMARK- HOLD AT LIGHT TO VIEW

First National Bank
ARTESIA, NEW MEXICO

95-43
1122

YATES PETROLEUM CORPORATION
YATES BUILDING • ARTESIA, N.M 88210

No. 153790

MAY 30, 2008

PAY *****4000*DOLLARS*AND*00*CENTS

$ ******4,000.00

TO THE ORDER OF
034200 BUREAU OF LAND MANAGEMENT
ROSWELL
2909 WEST SECOND STREET
ROSWELL, NM 88201-2019

Dennis G Kinsey

⑈153790⑈ ⑆122004391⑆ ⑈69408810⑈

DETACH BEFORE DEPOSITING CHECK

YATES PETROLEUM CORPORATION
105 SOUTH 4TH STREET ARTESIA, N M 88210

No. 153790

4,000.00

DLC/MS
RECORDING/FILING FEES
FEDERAL FILING FEE FOR APPLICATION FOR PERMIT TO DRILL
JRTD IRON BLI FEDERAL COM #1H
1980' FSL & 230' FEL, UNIT I NESE SECTION 1-T12S-R26E
1900' FSL & 660' FEL, UNIT I NESE SECTION 6-T12S-R27E
CHAVES COUNTY, NEW MEXICO

United States Department of the Interior
BUREAU OF LAND MANAGEMENT
Pecos District

Carlsbad Field Office
620 E. Greene
Carlsbad, NM 88220

Roswell Field Office
2909 W. Second St.
Roswell, NM 88021

www.nm.blm.gov

TAKE PRIDE IN AMERICA

In reply refer to
1310 (500)

NOV 13 2006

Dear Operator:

Both the Bureau of Land Management (BLM) and the oil and gas industry recognize that mineral development is one of many uses on the public lands in New Mexico. Since oil and gas development is only meant to be a temporary use of the surface, interim reclamation of disturbed areas not needed for active support of production operations is a very important 'best management practice'. In an effort to insure continued access and availability of public minerals, it is in the best interests of the oil and gas industry and BLM to work together towards reclaiming lands not actively used for safe and economical production.

Recognizing that a "one size fits all" approach is not practical, I am asking our lessees and operators to work with BLM staff to find solutions on reclaiming disturbed areas. In keeping with best management practices, locations and roads should have the smallest surface impact possible while balancing the need for safety, terrain, depth of the well and good engineering practices. As I have indicated at our working group meetings, where terrain permits, roads and locations may be built with minimal or no caliche for surfacing. The BLM acknowledges that there will be areas, such as in sandy soils, where surfacing materials may be necessary for a well pad, or portions of the road. These details can be worked out at the time of the onsite inspection.

At the time reserve pits are to be reclaimed, operators should work with a BLM surface management specialist to devise the best strategies to reduce the size of the location. BLM is aware that safety requirements do not allow vehicles within the area of guy anchors. Any reductions should allow for remedial well operations, as well as safe and efficient removal of oil and gas. We also recognize that pad sizes will vary depending upon whether a tank battery is present, onsite terrain and soils at each location. Our goal is to minimize the footprint required for safe operations, while achieving our commitment to multiple land use.

During reclamation, the removal of caliche from a road and location when that material is no longer necessary is important to increasing the success of revegetating the site. Removed caliche may be used in road repairs, or for building other roads and locations. We also recognize that in sandy dunal areas significant interim reclamation may not be feasible. In addition, in order to operate the well or complete workover operations, it may be necessary to drive, park and operate on restored interim vegetation within the previously disturbed area. Disturbing revegetated areas for production or workover operations will be allowed, since they will usually do little or no damage to the surface. If there is significant disturbance and loss of vegetation, the area will

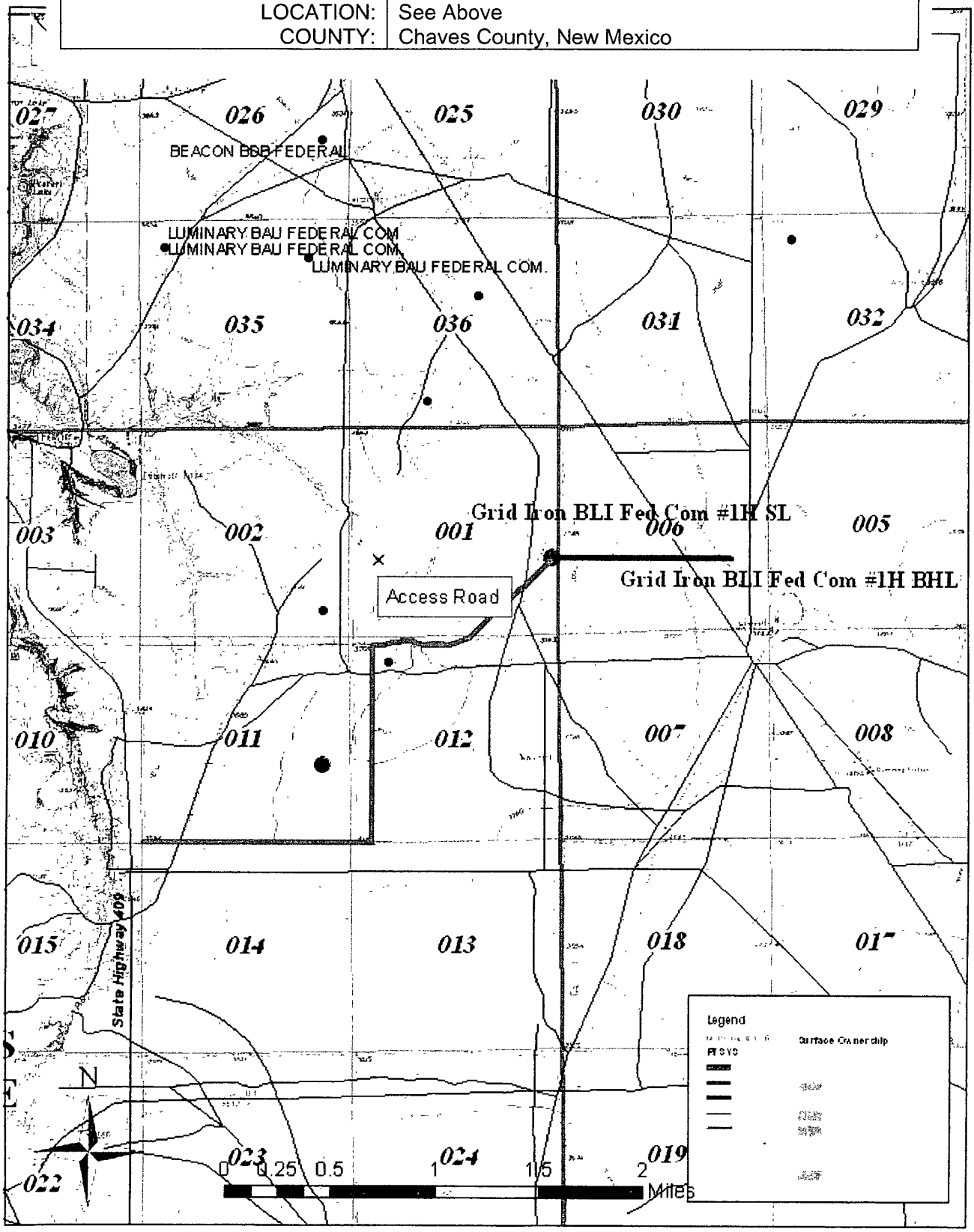
need to be revegetated within a reasonable period after use. The BLM also acknowledges that there will be exceptions, and I urge operators to communicate with the appropriate BLM office if an exemption to interim reclamation is needed.

While change does not come easy for any of us, our combined efforts to reduce the footprint of mineral activities will go a long way in demonstrating our ability to harmonize oil and gas development with other uses on the public lands. I really appreciate your efforts in this area and look forward to our continued work together.

Sincerely,

Douglas J. Burger
Pecos District Manager

OPERATOR'S NAME:	Yates Petroleum Corporation
LEASE NO.:	NM-101579
WELL NAME & NO.:	Grid Iron BLI Federal Com Well No. 1H
SURFACE HOLE FOOTAGE:	1980' FSL & 230' FEL Section 1, T. 12 S., R 26 E., NMPM
BOTTOM HOLE FOOTAGE	1900' FSL & 660' FEL Section 6, T. 12 S., R 27 E., NMPM
LOCATION:	See Above
COUNTY:	Chaves County, New Mexico



PECOS DISTRICT - RFO
CONDITIONS OF APPROVAL

OPERATORS NAME: Yates Petroleum Corporation
LEASE NO.: NM-106904
WELL NAME & NO: Grid Iron "BLI" Federal Com. #1H
SURFACE HOLE FOOTAGE: 1980' FSL & 230' FEL Section 1, T. 12 S., R. 26 E., NMPM
BOTTOM HOLE LOCATION: 1900' FSL & 660' FWL Section 6, T. 12 S., R. 27 E., NMPM
COUNTY: Chaves County, New Mexico

GENERAL PROVISIONS

The approval of the Application For Permit To Drill (APD) is in compliance with all applicable laws and regulations: 43 Code of Federal Regulations 3160, the lease terms, Onshore Oil and Gas Orders, Notices To Lessees, New Mexico Oil Conservation Division (NMOCD) Rules, National Historical Preservation Act As Amended, and instructions and orders of the Authorized Officer. Any request for a variance shall be submitted to the Authorized Officer on Form 3160-5, Sundry Notices and Report on Wells.

I. PERMIT EXPIRATION

If the permit terminates prior to drilling and drilling cannot be commenced within 60 days after expiration, an operator is required to submit Form 3160-5, Sundry Notices and Reports on Wells, requesting surface reclamation requirements for any surface disturbance. However, if the operator will be able to initiate drilling within 60 days after the expiration of the permit, the operator must have set the conductor pipe in order to allow for an extension of 60 days beyond the expiration date of the APD (Filing of a Sundry Notice is required for this 60 day extension).

II. ARCHAEOLOGICAL, PALEONTOLOGY & HISTORICAL SITES

Any cultural and/or paleontological resource discovered by the operator or by any person working on the operator's behalf shall immediately report such findings to the Authorized Officer. The operator is fully accountable for the actions of their contractors and subcontractors. The operator shall suspend all operations in the immediate area of such discovery until written authorization to proceed is issued by the Authorized Officer. An evaluation of the discovery shall be made by the Authorized Officer to determine the appropriate actions that shall be required to prevent the loss of significant cultural or scientific values of the discovery. The operator shall be held responsible for the cost of the proper mitigation measures that the Authorized Officer assesses after consultation with the operator on the evaluation and decisions of the discovery. Any unauthorized collection or disturbance of cultural or paleontological resources may result in a shutdown order by the Authorized Officer.

III. NOXIOUS WEEDS

The operator shall be held responsible if noxious weeds become established within the areas of operations (access road and/or well pad). Weed control shall be required on the disturbed land where noxious weeds exist, which includes the roads, pads, associated pipeline corridor, and adjacent land affected by the establishment of weeds due to this action. The operator shall consult with the Authorized Officer for acceptable weed control methods, which include following EPA and BLM requirements and policies.

IV. CONSTRUCTION

A. NOTIFICATION:

The BLM shall administer compliance and monitor construction of the access road and well pad. Notify the Roswell Field Office at (505) 627-0247 at least 3 working days prior to commencing construction of the access road and/or well pad.

When construction operations are being conducted on this well, the operator shall have the approved Application for Permit to Drill and Conditions of Approval on the well site and they shall be made available upon request by the Authorized Officer.

B. TOPSOIL:

The operator shall stockpile the topsoil of the well pad. The topsoil to be stripped is approximately 6 inches in depth. The topsoil shall not be used for interim and final reclamation. The topsoil shall be stockpiled in the southeast corner of the well pad.

C. RESERVE PITS:

A reserve pit shall not be constructed as Yates Petroleum Corporation is using a Closed Loop System. This system must be used in accordance with current NMOCD rules.

D. FEDERAL MINERAL MATERIALS PIT:

If the operator elects to surface the access road and/or well pad, mineral materials extracted during construction of the reserve pit may be used for surfacing the well pad and access road and other facilities on the lease.

Payment shall be made to the BLM prior to removal of any additional federal mineral materials from any site other than the reserve pit. Call the Roswell Field Office at (505) 627-0236.

E. WELL PAD SURFACING:

Surfacing of the well pad is not required.

If the operator elects to surface the well pad, the surfacing material may be required to be removed at the time of reclamation.

The well pad shall be constructed in a manner which creates the smallest possible surface disturbance, consistent with safety and operational need.

F. ON LEASE ACCESS ROADS:

Road Width

The access road shall have a driving surface that creates the smallest possible surface disturbance and does not exceed fourteen (14) feet in width. The maximum width of surface disturbance, when constructing the access road, shall not exceed thirty (30) feet.

Surfacing

Surfacing material is not required on the new access road driving surface. If the operator elects to surface the new access road or pad, the surfacing material may be required to be removed at the time of reclamation.

Where possible, no improvements should be made on the unsurfaced access road other than to remove vegetation as necessary, road irregularities, safety issues, or to fill low areas that may sustain standing water.

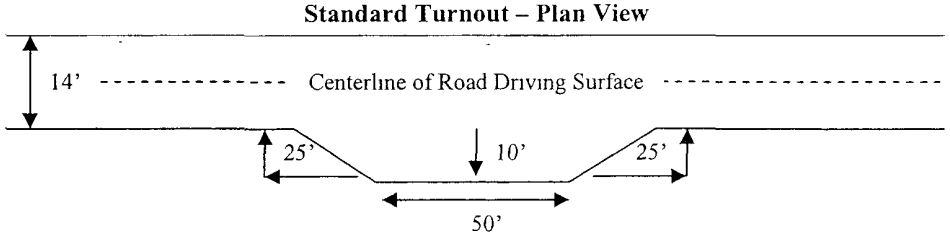
The Authorized Officer reserves the right to require surfacing of any portion of the access road at any time deemed necessary. Surfacing may be required in the event the road deteriorates, erodes, road traffic increases, or it is determined to be beneficial for future field development. The surfacing depth and type of material will be determined at the time of notification.

Crowning

Crowning shall be done on the access road driving surface. The road crown shall have a grade of approximately 2% (i.e., a 1" crown on a 14' wide road). The road shall conform to Figure 1; cross section and plans for typical road construction.

Turnouts

Vehicle turnouts shall be constructed on the road. Turnouts shall be intervisible with interval spacing distance less than 1000 feet. Turnouts shall be constructed on all blind curves. Turnouts shall conform to the following diagram:

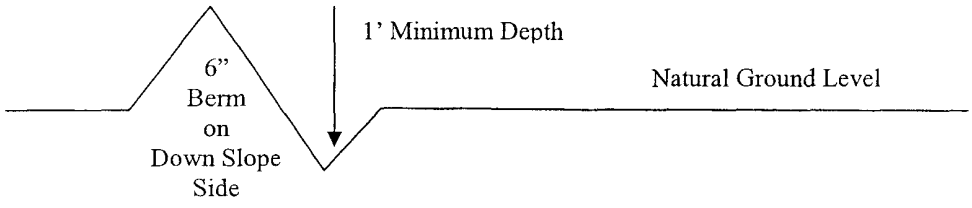


Drainage

Drainage control systems shall be constructed on the entire length of road (e.g. ditches, sidehill outsloping and insloping, lead-off ditches, culvert installation, and low water crossings).

A typical lead-off ditch has a minimum depth of 1 foot below and a berm of 6 inches above natural ground level. The berm shall be on the down-slope side of the lead-off ditch.

Cross Section Of Typical Lead-off Ditch



All lead-off ditches shall be graded to drain water with a 1 percent minimum to 3 percent maximum ditch slope. The spacing interval are variable for lead-off ditches and shall be determined according to the formula for spacing intervals of lead-off ditches, but may be amended depending upon existing soil types and centerline road slope (in %);

Formula For Spacing Interval Of Lead-off Ditches

Example - On a 4% road slope that is 400 feet long, the water flow shall drain water into a lead-off ditch. Spacing interval shall be determined by the following formula:

$$400 \text{ foot road with } 4\% \text{ road slope: } \frac{400'}{4\%} + 100' = 200' \text{ lead-off ditch interval}$$

Cattleguards

A gate and cattleguard will be constructed and installed at the fence crossings in SW¼SW¼SE¼ Section 1, T. 12 S., R. 26 E. N.M.P.M., Chaves County, New Mexico.

Any existing cattleguard(s) on the access road shall be repaired or replaced if they are damaged or have deteriorated beyond practical use. The operator shall be responsible for the condition of the existing cattleguard(s) that are in place and are utilized during lease operations.

A gate shall be constructed and fastened securely to H-braces.

Fence Requirement

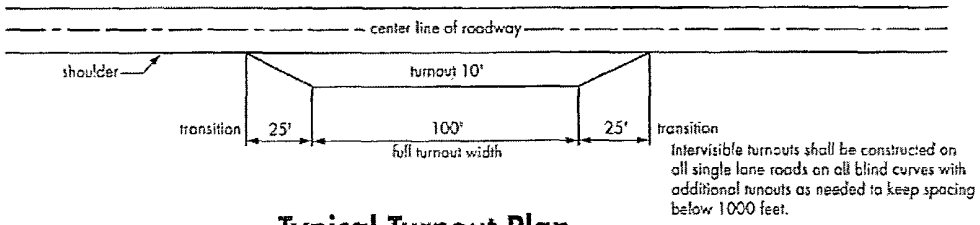
Where entry is required across a fence line, the fence shall be braced and tied off on both sides of the passageway prior to cutting.

The operator shall notify the private surface landowner or the grazing allotment holder prior to crossing any fence(s).

Public Access

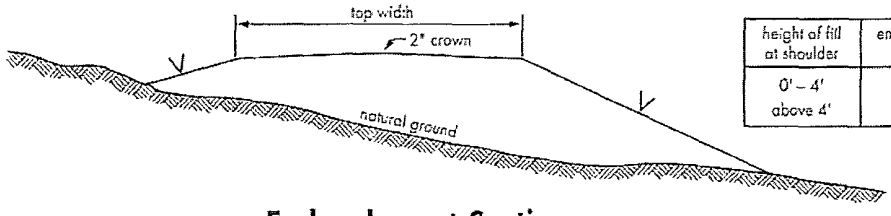
Public access on this road shall not be restricted by the operator without specific written approval granted by the Authorized Officer.

Figure 1 – Cross Sections and Plans For Typical Road Sections



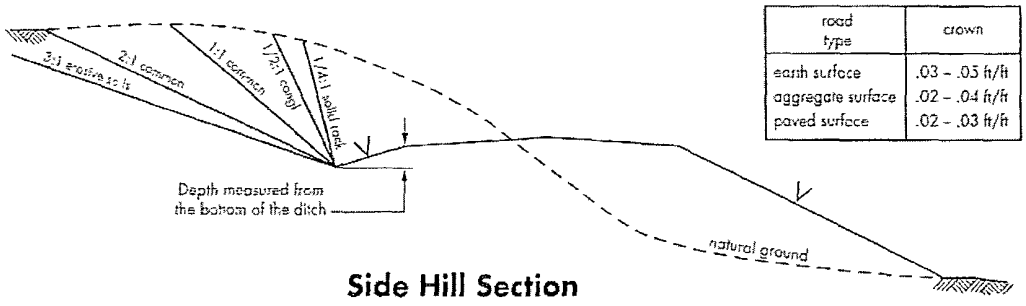
Intervisible turnouts shall be constructed on all single lane roads on all blind curves with additional turnouts as needed to keep spacing below 1000 feet.

Typical Turnout Plan



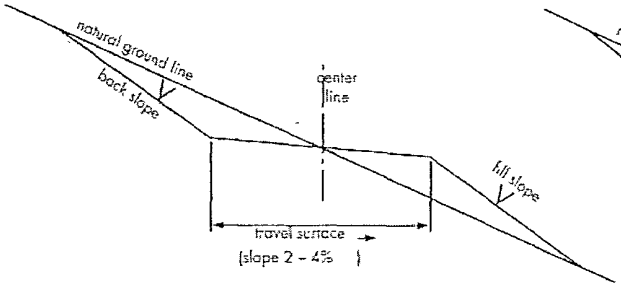
height of fill at shoulder	embankment slope
0' – 4'	3:1
above 4'	2:1

Embankment Section

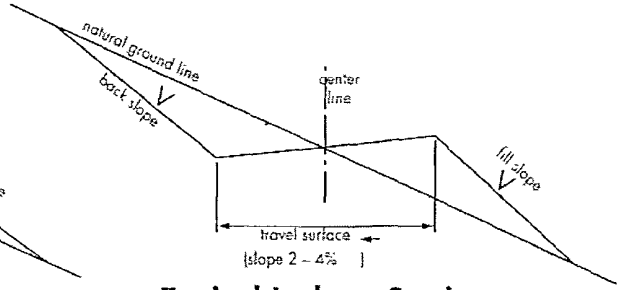


road type	crown
earth surface	.03 – .05 ft/ft
aggregate surface	.02 – .04 ft/ft
paved surface	.02 – .03 ft/ft

Side Hill Section



Typical Outsloped Section



Typical Inslope Section

V. DRILLING

A. DRILLING OPERATIONS REQUIREMENTS

1. Call the Roswell Field Office, 2909 West Second St., Roswell NM 88201. During office hours call (575) 627-0258. After office hours call (575) 627-0205. Engineer on call phone (after hours): (575) 626-5749.

2. The Roswell Field Office is to be notified a minimum of 4 hours in advance for a representative to witness:

a. Spudding

b. Cementing casing: 13-3/8 inch 8-5/8 inch 5-1/2 inch

3. Unless the production casing has been run and cemented or the well has been properly plugged, the drilling rig shall not be removed from over the hole without prior approval.

4. Include the API No. assigned to well by NMOCD on the subsequent report of setting the first casing string.

5. A Communitization Agreement covering the acreage dedicated to this well must be filed for approval with the BLM. The effective date of the agreement shall be prior to any sales.

B. CASING:

1. The 13-3/8 inch surface casing shall be set at approximately 1100 feet and cemented to the surface.

a. If cement does not circulate to the surface, the Roswell Field Office shall be notified and a temperature survey utilizing an electronic type temperature survey with a surface log readout will be used or a cement bond log shall be run to verify the top of the cement.

b. Wait on cement (WOC) time for a primary cement job will be a minimum 18 hours for a water basin or 500 pounds compression strength, whichever is greater. (This is to include the lead cement).

c. Wait on cement (WOC) time for a remedial job will be a minimum of 4 hours after bringing cement to surface or 500 pounds compression strength, whichever is greater.

d. If cement falls back, remedial action will be done prior to drilling out that string.

2. The minimum required fill of cement behind the 8-5/8 inch intermediate casing is sufficient to circulate to the surface. If cement does not circulate see B.1.a-d above.

3. The minimum required fill of cement behind the 5-1/2 inch production casing is sufficient to tie back 500 feet above the uppermost perforation in the pay zone. If cement does not circulate, a temperature survey utilizing an electronic type temperature survey with a surface log readout will be used or a cement bond log shall be run to verify the top of the cement.

4. If hardband drill pipe is rotated inside casing, returns will be monitored for metal. If metal is found in samples, drill pipe will be pulled and rubber protectors which have a larger diameter than the tool joints of the drill pipe will be installed prior to continuing drilling operations.

C. PRESSURE CONTROL:

1. Before drilling below the 13-3/8 inch surface casing shoe, the blowout preventer assembly shall consist of a minimum of One Annular Preventer or Two Ram-Type Preventers and a Kelly Cock/Stabbing Valve.

2. Before drilling below the 13-3/8 inch surface casing shoe, minimum working pressure of the blowout preventer and related equipment (BOPE) shall be 2000 psi.

3. The BOPE shall be installed before drilling below the 13-3/8 inch surface casing and shall be tested as described in Onshore Order No. 2. Any equipment failing to test satisfactorily shall be repaired or replaced.

a. The BOP/BOPE test shall include a low pressure test from 250 to 300 psi. The test will be held for a minimum of 10 minutes if test is done with a test plug and 30 minutes without a test plug.

b. All tests are required to be recorded on a calibrated test chart. A copy of the BOP/BOPE test chart and a copy of independent service company test will be submitted to the BLM Roswell Field Office at 2909 West Second Street, Roswell, New Mexico 88201.

c. Testing fluid must be water or an appropriate clear liquid suitable for sub-freezing temperatures. Use of drilling mud for testing is not permitted since it can mask small leaks.

d. Testing must be done in a safe workman like manner. Hard line connections shall be required.

VI. PRODUCTION

A. WELL STRUCTURES & FACILITIES

Placement of Production Facilities

Production facilities should be placed on the well pad to allow for maximum interim recontouring and revegetation of the well location.

Containment Structures

The containment structure shall be constructed to hold the capacity of the entire contents of the largest tank, plus 24 hour production, unless more stringent protective requirements are deemed necessary by the Authorized Officer.

Painting Requirement

All above-ground structures including meter housing that are not subject to safety requirements shall be painted a flat non-reflective paint color, Olive Drab, Munsell Soil Color Chart 18-0622 TPX.

VRM Facility Requirement

Low-profile tanks not greater than eight-feet-high shall be used.

VII. INTERIM RECLAMATION & RESERVE PIT CLOSURE

A. INTERIM RECLAMATION

If the well is a producer, interim reclamation shall be conducted on the well site in accordance with the orders of the Authorized Officer. The operator shall submit a Sundry Notices and Reports on Wells (Notice of Intent), Form 3160-5, prior to conducting interim reclamation.

During the life of the development, all disturbed areas not needed for active support of production operations should undergo "interim" reclamation in order to minimize the environmental impacts of development on other resources and uses.

During reclamation, the removal of caliche is important to increasing the success of revegetating the site. Removed caliche may be used in road repairs, fire walls or for building other roads and locations. In addition, in order to operate the well or complete workover operations, it may be necessary to drive, park and operate on restored interim vegetation within the previously disturbed area. Disturbing revegetated areas for production or workover operations will be allowed. If there is significant disturbance and loss of vegetation, the area will need to be revegetated. Communicate with the appropriate BLM office for any exceptions/exemptions if needed.

B. RESERVE PIT CLOSURE

At the time reserve pits are to be reclaimed, operators should work with BLM surface management specialists to devise the best strategies to reduce the size of the location. Operators are required to comply with current NMOCD rules. Any reductions should allow for remedial well operations, as well as safe and efficient removal of oil and gas.

The reserve pit, when dried and closed, shall be recontoured, all trash removed, and reseeded as follows:

SEED MIXTURE

Common Name and Preferred Variety	Scientific Name	Pounds of Pure Live Seed per Acre
Blue grama	(*Bouteloua gracilis*)	4.0
Sideoats grama	(*Bouteloua curtipendula*)	1.0
Sand dropseed	(*Sporobolus cryptandrus*)	0.5
Vine mesquite	(*Panicum obtusum*)	1.0
Plains bristlegrass	(*Setaria macrostachya*)	1.0
Indian blanketflower	(*Gaillardia aristata*)	0.5
Desert or Scarlet Globemallow	(*Sphaeralcea ambigua*) or (*S. coccinea*)	1.0
Annual sunflower	(*Helianthus annuus*)	0.75
TOTAL POUNDS PURE LIVE SEED (pls) PER ACRE		9.75

Seed must be Certified Weed Free

If one species is not available, increase ALL others proportionately.
Use No Less than 4 species, including one forb.
No less than 9.75 pounds pls per acre shall be applied.

VIII. FINAL ABANDONMENT & REHABILITATION REQUIREMENTS

a. Upon abandonment of the well and/or when the access road is no longer in service, a Notice of Intent for Final Abandonment with the proposed surface restoration procedure must be submitted for approval. On private surface/federal mineral estate land the reclamation procedures on the road and well pad shall be accomplished in accordance with the Private Surface Land Owner agreements.

b. Upon abandonment of the well, all casing shall be cut-off at the base of the cellar or 3-feet below final restored ground level (whichever is deeper). A 4-inch pipe, 10 feet in length, shall be installed 4 feet above ground and embedded in cement. The following information shall be permanently inscribed on the dry hole marker: Well name and number, the name of the operator, the lease serial number, the surveyed location (the quarter-quarter section, section, township and range or other authorized survey designation acceptable to the authorized officer; such as metes and bounds).