

Submit To Appropriate District Office State Lease - 6 copies Fee Lease - 5 copies 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 Oil Conservation Division 1220 South St. Francis Dr. Santa Fe, NM 87505	Form C-105 Revised June 10, 2003 WELL API NO. 30-015-35838 5. Indicate Type of Lease STATE ☒ FEE ☐ State Oil & Gas Lease No. VO-6885
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WELL COMPLETION OR RECOMPLETION REPORT AND LOG					
1a. Type of Well OIL WELL ☐ GAS WELL ☒ DRY ☐ OTHER ☐ b. Type of Completion: NEW ☒ WORK ☐ DEEPEN ☐ PLUG ☐ DIFF. ☐ WELL OVER BACK RESVR.	7. Lease Name or Unit Agreement Name Gurkha BKG State Com 8. Well No. 1 9. Pool name or Wildcat Salt Draw; Morrow, West				
2. Name of Operator Yates Petroleum Corporation					
3. Address of Operator 105 South Fourth Street, Artesia, NM 88210 (575) 748-1471					
4. Well Location Unit Letter <u>P</u> : <u>990</u> Feet From The <u>South</u> Line and <u>660</u> Feet From The <u>East</u> Line Section <u>36</u> Township <u>24S</u> Range <u>27E</u> NMPM <u>Eddy</u> County					
10. Date Spudded RH 11/19/07 RT 11/23/07	11. Date T.D. Reached 1/25/08				
12. Date Compl (Ready to Prod.) 3/19/08	13. Elevations (DF& RKB, RT, GR, etc.) 3096'GR 3117'KB				
14. Elev Casinghead 12,999'	15. Total Depth 12,999'				
16. Plug Back T.D. 12,950'	17. If Multiple Compl. How Many Zones? 40'-12,999'				
18. Intervals Drilled By Rotary Tools 40'-12,999'					
19. Producing Interval(s), of this completion - Top, Bottom, Name 12,322'-12,768' Morrow					
20. Was Directional Survey Made Yes (Attached)					
21. Type Electric and Other Logs Run Density/Neutron, Hi-Res Laterolog Array, CBL					
22. Was Well Cored No					
23. CASING RECORD (Report all strings set in well)					
CASING SIZE 20"	WEIGHT LB /FT Conductor	DEPTH SET 40'	HOLE SIZE 26"	CEMENTING RECORD Redi-mix	AMOUNT PULLED 570 sx (circ)
13-3/8"	48#	682'	17-1/2"	920 sx (circ)	
9-5/8"	36#	2530'	12-1/4"	450 sx (TOC 7235' tagged)	
7"	23#, 26#	9304'	8-3/4"	305 sx (TOC 8370' est.)	
4-1/2"	11.6#	12,999'	6-1/8"		
24. LINER RECORD					
SIZE	TOP	BOTTOM	SACKS CEMENT	SCREEN	
25. TUBING RECORD					
SIZE	DEPTH SET	PACKER SET			
2-3/8"	12,222'	12,224'			
26. Perforation record (interval, size, and number)					
12,532'-12,540' (48)	12,764'-12,768' (24)				
12,578'-12,582' (24)	12,322'-12,332' (61)				
12,634'-12,640' (36)	12,342'-12,360' (114)				
12,736'-12,740' (24)	12,432'-12,446' (90)				
27. ACID, SHOT, FRACTURE, CEMENT, SQUEEZE, ETC.					
DEPTH INTERVAL		AMOUNT AND KIND MATERIAL USED			
SEE ATTACHED SHEET					
28. PRODUCTION					
Date First Production 3/20/08		Production Method (Flowing, gas lift, pumping - Size and type pump) Flowing		Well Status (Prod. or Shut-in) Producing	
Date of Test 4/13/08	Hours Tested 24 hrs	Choke Size 9/64"	Prod'n For Test Period 0	Gas - MCF 310	Water - Bbl 3
Flow Tubing Press. 1100 psi	Casing Pressure 900 psi	Calculated 24-Hour Rate 0	Oil - Bbl 310	Gas - Oil Ratio NA	
29. Disposition of Gas (Sold, used for fuel, vented, etc.) Sold					Test Witnessed By L. Raga
30. List Attachments Logs, Deviation Survey and Directional Survey					
31. I hereby certify that the information shown on both sides of this form as true and complete to the best of my knowledge and belief					
Signature <u>Tina Huerta</u>		Printed Name <u>Tina Huerta</u>		Title <u>Regulatory Compliance Supervisor</u> Date <u>April 16, 2008</u>	
E-mail Address <u>tnah@ypcnm.com</u>					

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INDICATE FORMATION TOPS IN CONFORMANCE WITH GEOGRAPHICAL SECTION OF STATE

OIL OR GAS SANDS OR ZONES

IMPORTANT WATER SANDS

No. 1, from.....to.....feet.....
 No. 2, from.....to.....feet.....
 No. 3, from.....to.....feet.....

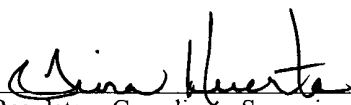
From	To	Thickness In Feet	Lithology

Yates Petroleum Corporation
Gurkha BKG State Com #1
Section 36-T24S-R27E
Eddy County, New Mexico
Page 3

Form C-105 continued:

27. Acid, Shot, Fracture, Cement, Squeeze, Etc.

<u>Depth Interval</u>	<u>Amount and Kind Material Used</u>
12,532'-12,768'	Acidize w/2500g 7-1/2% HCL IC MCAS w/3% MorfloA III surfactant w/200 ball sealers
12,532'-12,768'	Frac w/16,500g 60Q Foam and 40# CMHPG foam w/31,500# 20/40 carbo-prop
12,322'-12,446'	Frac w/3000g 7-1/2% MSA acid, 61,432g 60Q 40# CMHPG x-linked foam w/50,000# 20/40 carbo-prop


Regulatory Compliance Supervisor
April 16, 2008

INCLINATION REPORT		Page No. 1
1 FIELD NAME	2 LEASE NAME Gurkha BKG State Com. #1	
3 OPERATOR Yates Petroleum		
4 ADDRESS 105 Sourh 4 th Street		
5 LOCATION (Section, Block, and Survey) Sec 36, T-24-S, R-27-E, Eddy, N M.		

RECORD OF INCLINATION

*11 Measured Depth (feet)	12. Course Length (Hundreds of feet)	*13. Angle of Inclination (Degrees)	14. Displacement per Hundred Feet (Sine of Angle x 100)	15 Course Displacement (feet)	16. Accumulative Displacement (feet)
208	208	1.75	3.05	6.34	6.34
481	273	2.50	4.36	11.90	18.24
635	154	1.25	2.18	3.35	21.59
780	145	1.75	3.05	4.42	26.01
999	219	3.00	5.23	11.45	37.46
1106	107	3.00	5.23	5.59	43.05
1128	22	2.75	4.80	1.05	44.10
1190	62	2.75	4.80	2.97	47.07
1220	30	3.00	5.23	1.56	48.63
1342	122	3.00	5.23	6.38	55.01
1506	164	2.25	3.93	6.44	61.45
1568	62	1.25	2.18	1.35	62.80
1700	132	1.50	2.62	3.45	66.25
1817	117	1.25	2.18	2.55	68.80
1880	63	2.00	3.49	2.19	70.99
2192	312	1.50	2.62	8.17	79.16
2317	125	1.00	1.75	2.18	81.34
2442	125	0.75	1.31	1.63	82.97
2549	107	0.50	.87	0.93	83.90
2642	93	0.50	.87	0.80	84.70
2813	171	0.50	.87	1.48	86.18
3009	196	1.00	1.75	3.43	89.61
3297	288	0.50	.87	2.50	92.11
3547	250	0.25	.44	1.10	93.21
3872	325	0.75	1.31	4.25	97.46
4092	220	0.75	1.31	2.88	100.34
4326	234	1.00	1.75	4.09	104.43
4589	263	1.00	1.75	4.60	109.03
4794	205	0.50	.87	1.78	110.81
5044	250	1.00	1.75	4.37	115.18
5295	251	0.50	.87	2.18	117.36
5589	294	0.50	0.87	2.55	119.91
5794	499	0.75	1.31	6.53	126.44
6075	281	0.75	1.31	3.68	130.12
6325	250	0.75	1.31	3.27	133.39
6574	249	1.50	2.62	6.52	139.91
6668	94	1.25	2.18	2.04	141.95
6948	280	1.25	2.18	6.10	148.05
7230	282	1.50	2.62	7.38	155.43
7587	357	2.50	4.36	15.56	170.99
7729	142	2.00	3.49	4.95	175.94
7917	188	3.75	6.54	12.29	188.23
8087	170	3.00	5.23	8.89	197.12
8198	111	3.00	5.23	5.80	202.92
8354	156	4.00	6.98	10.88	213.80
8479	125	1.00	1.75	2.18	215.98

Accumulative total displacement of well bore at total depth of _____ feet.
 Inclination measurements were made in ☐ Tubing ☐ Casing ☐ Open Hole ☒ _____

 Signature of Authorized Representative L.V. Bohannon Name of Person and Title (type or print) Adobe Drilling Name of Company Telephone 432-552-5553 Area Code _____	Signature of Authorized Representative Name of Person and Title (type or print) Name of Company Telephone _____ Area Code _____
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Certified By _____ Date _____

Shonda L. Fulton 1-31-08



DIRECTIONAL SURVEY REPORT

YATES PETROLEUM

GURKHA BKG ST. COM #1

EDDY COUNTY, NEW MEXICO

PREPARED BY: CODY MEBANE

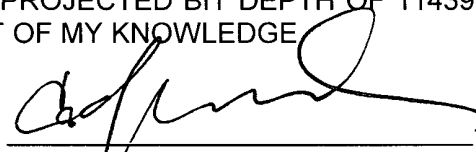
Pathfinder Energy Services, Inc.
6213 W. County Road 112 • Midland, TX • 79706
(432)681-6000

DIRECTIONAL SURVEY COMPANY REPORT:

1. NAME OF SURVEYING COMPANY: PATHFINDER ENERGY SERVICES
2. NAME OF PERSON(S) PERFORMING SURVEY:
A) CHRIS CARSON
3. POSITION OF SAID PERSON(S): (A-F) SURVEYORS (FIELD ENGINEERS)
4. DATE(S) ON WHICH SURVEY WAS PERFORMED: 11000 TO 11396
5. STATE IN WHICH SURVEY WAS PERFORMED: NEW MEXICO
6. LOCATION OF WELL: EDDY COUNTY, NM
7. TYPE OF SURVEY(S) PERFORMED: MWD
8. COMPLETE IDENTIFICATION OF WELL:

YATES PETROLEUM
GURKHA BKG ST COM #1
EDDY COUNTY, NM
RIG: ADOBE IRON HORSE
9. SURVEY CERTIFIED FROM: 11000 TO 11396 FEET MEASURED DEPTH.

THIS IS TO VERIFY THAT ATTACHED DOCUMENTS SHOWING THE WELL TO BE
DISPLACED AT 11.13 FEET ON A BEARING OF 210.82 DEGREES FROM THE
CENTER OF THE ROTARY TABLE AT A PROJECTED BIT DEPTH OF 11439 FEET,
ARE TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE



CODY WEBANE
M/LWD SERVICE COORDINATOR

PathFinder Energy Services, Inc.

BHL Report

Page 01/01
Tie-in Date: 01/01/2008
Date Completed: 01/05/2008

YATES PETROLEUM
GURKHA BKG ST COM #1
EDDY COUNTY, NM
Rig: ADOBE IRON HORSE
PathFinder Office Supervisor: Cody Mebane
PathFinder Field Engineers: Chris Carson

Survey Horiz. Reference: WELLHEAD
Ref Coordinates: LAT: 33.10.9.4008 N LON: 104.8.15.5004 W
GRID Reference: NAD27 new mexico east Transverse Mercator
Ref GRID Coord: X: 559881.8303 Y: 789155.4178
North Aligned To: TRUE NORTH
Total Magnetic Correction: 8.32° EAST TO TRUE
Vertical Section Plane: 0.00
Survey Vert. Reference: 12.00' Rotary Table To Ground
Altitude: 3096.00' Ground To MSL

Measured Depth	11439.00	(feet)
Inclination	0.97	(deg)
Azimuth	245.01	(deg)
True Vertical Depth	11438.86	(feet)
Vertical Section	-9.55	(feet)
Survey X cord	559876.15	(feet)
Survey Y cord	789145.76	(feet)
Survey Lat	33.16925148 N	(deg)
Survey Lon	104.13765763 W	(deg)
Rectangular Corr. N/S	9.55 S	(feet)
Rectangular Corr. E/W	5.70 W	(feet)
Closure Distance	11.13	(feet)
Direction of Closure	210.82	(deg)
Dogleg Severity	0.00	(deg/100ft)

PathFinder Energy Services, Inc.

Survey Report

YATES PETROLEUM
GURKHA BKG ST COM #1
EDDY COUNTY, NM
Rig: ADOBE IRON HORSE
PathFinder Office Supervisor: Cody Mebane
PathFinder Field Engineers: Chris Carson

Survey Horiz. Reference: WELLHEAD
Ref Coordinates: LAT: 33.10.9.4008 N LON: 104.8.15.5004 W
Reference: NAD27 new mexico east Transverse Mercator
Ref GRID Coord: X: 559881.8303 Y: 789155.4178
North Aligned To: TRUE NORTH
Total Magnetic Correction: 8.32° EAST TO TRUE
Vertical Section Plane: 0.00
Survey Vert. Reference: 12.00' Rotary Table To Ground
Altitude: 3096.00' Ground To MSL

Survey Calculations by RX4 using Minimum Curvature

Measured Depth (ft)	Incl (deg)	Drift Dir. (deg)	TVD (ft)	Course Length (ft)	Vertical Section (ft)	TOTAL Rectangular Offsets (ft) (ft)		Closure Dist Dir (ft) (deg)		DLS (dg/100ft)
TIE-IN ASSUMING STRAIGHT HOLE @ 10900' MD.										
10900.00	0.00	0.00	10900.00	0.00	0.00	0.00	0.00	0.00@	0.00	0.00
THE FOLLOWING ARE PATHFINDER MWD SURVEYS.										
11000.00	1.93	196.85	10999.98	100.00	-1.61	1.61 S	0.49 W	1.68@	196.85	1.93
11032.00	1.67	200.80	11031.97	32.00	-2.56	2.56 S	0.81 W	2.69@	197.53	0.90
11063.00	1.67	204.23	11062.95	31.00	-3.40	3.40 S	1.16 W	3.59@	198.79	0.32
11095.00	1.58	207.48	11094.94	32.00	-4.21	4.21 S	1.55 W	4.49@	200.20	0.40
11127.00	1.76	208.89	11126.93	32.00	-5.04	5.04 S	1.99 W	5.42@	201.58	0.58
11159.00	1.76	213.63	11158.91	32.00	-5.88	5.88 S	2.50 W	6.39@	203.06	0.45
11191.00	1.58	210.56	11190.90	32.00	-6.66	6.66 S	3.00 W	7.31@	204.22	0.63
11222.00	0.70	200.01	11221.89	31.00	-7.21	7.21 S	3.28 W	7.92@	204.46	2.91
11285.00	0.79	213.55	11284.89	63.00	-7.93	7.93 S	3.65 W	8.73@	204.71	0.31
11349.00	1.14	225.24	11348.88	64.00	-8.75	8.75 S	4.35 W	9.77@	206.42	0.63
11396.00	0.97	245.01	11395.87	47.00	-9.25	9.25 S	5.04 W	10.53@	208.59	0.85
STRAIGHT-LINE PROJECTION TO BIT @ 11439' MD.										
11439.00	0.97	245.01	11438.86	43.00	-9.55	9.55 S	5.70 W	11.13@	210.82	0.00

PathFinder Energy Services, Inc.

Magnetic & Grid Calculations

YATES PETROLEUM
GURKHA BKG ST. COM #1
EDDY COUNTY, NEW MEXICO
Rig:ADOBE IRON HORSE

Tue Jan 01 10:16:31 2008

Coordinates

Latitude: 33.169278 N (33 deg. 10 min. 9.4000 sec.)
Longitude: 104.137639 W (-104 deg. 8 min. 15.5000 sec.)
Elevation: 3096.00 feet.
Calculation Date: Jan/01/2008

Magnetic Calculations

Model: IGRF2005
Dip Angle: 61.0571 degrees
Total Magnetic Field: 0.49493 gauss
Magnetic Declination: 8.322556 degrees
Horizontal Intensity: 0.239516 gauss
To Convert a Magnetic Dir. to a TRUE North Dir. Add 8.322556 Degr

Transverse Mercator Grid Calculations NAD27

Grid System: Transverse Mercator: new mexico east
Ellipsoid: Clarke 1866
X: 559881.8645 feet
Y: 789155.3370 feet
True to Grid: (convergence) -0.107068 degrees
Magnetic to Grid: 8.215489 degrees
To Convert a Magnetic Dir. to a GRID dir. Add 8.215489 Degr.

District I

1625 N French Dr., Hobbs, NM 88240

District II

1301 W. Grand Avenue, Artesia, NM 88210

District III

1000 Rio Brazos Road, Aztec, NM 87410

District IV

1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy Minerals and Natural Resources

Well file

Form C-101
May 27, 2004

Oil Conservation Division

1220 South St. Francis Dr.,
Santa Fe, NM 87505

Submit to appropriate District Office

☐ AMENDED REPORT

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE

Operator Name and Address Yates Petroleum Corporation 105 South Fourth Street Artesia, New Mexico 88210		OCT 02 2007 OCD	OGRID Number 025575
Property Code		Property Name Gurkha BKG State Com.	API Number 30-015-35838
Proposed Pool 1 Salt Draw		Proposed Pool 2 WEST	Well No 1

Surface Location

UL or lot no	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
P	36	24S	27E		990'	South	660'	East	Eddy

Proposed 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

Additional Well Information

Work Type Code N	Well Type Code G	Cable/Rotary R	Lease Type Code S	Ground Level Elevation 3096'
Multiple N	Proposed Depth 13,100	Formation Morrow	Contractor Undes.	Spud Date ASAP
Depth to Groundwater 19'		Distance from nearest fresh water well 1.6 miles		Distance from nearest surface water 1 mile
Pit: Liner: Synthetic XX 12 mils thick Clay ☐ Pit Volume: 24,000 bbls Drilling Method: Closed-Loop System ☐ Fresh Water ☐ Brine ☒ Diesel/Oil-based ☐ Gas/Air ☐				

Proposed Casing and Cement Program

Hole Size	Casing Size	Casing weight/foot	Setting Depth	Sacks of Cement	Estimated TOC
17.5	13.375	48#	650'	675	0
12.25	9.625	36#	2500'	980	0
8.75	7.0	23 & 26#	9300'	1150	2000
6.125	4.5	11.6#	13,100'	525	8800

²² Describe the proposed program. If this application is to DEEPEN or PLUG BACK, give the data on the present productive zone and proposed new productive zone. Describe the blowout prevention program, if any. Use additional sheets if necessary.

Yates Petroleum Corporation proposes to drill and test the Morrow/intermediate formations. Approximately 650' of surface casing will be set/cemented. If commercial, production casing will be run and cemented, will perforate and stimulate as needed for production.

MUD PROGRAM: 0-650' FWGel; 650-2500' Brine; 2500-9300' FW; 9300-10,000' Brine; 10,000-13,100' SaltGel/Starch/4-6% KCL.

BOPE PROGRAM: A 3000# BOPE will be installed on the 9 5/8" casing and tested daily.

Sources at Yates Petroleum Corporation have relayed information to me that they believe there will not be sufficient H2S anticipated from the surface to the Morrow formation to meet the OCD's minimum requirements for the submission of a contingency plan per Rule 118.

²³ 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 NMOC guidelines ☐, a general permit ☒, or an (attached) alternative OCD-approved plan ☐.

Signature:

Printed name: Cy Cowan

Title: Regulatory Agent

E-mail Address:

Date: 6/25/2007

Phone: (505) 748-4372

OIL CONSERVATION DIVISION

Approved by:

BRYAN G. ARANT
DISTRICT GEOLOGIST

Title:

Approval Date: OCT 02 2007

Expiration Date: OCT 02 2008

Conditions of Approval Attached ☐

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 87505Form C-102
Revised October 12, 2005Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code 96819	Pool Name Salt Draw, Morrow, West
Property Code 36766	Property Name GURKHA "BKG" STATE COM.	Well Number 1
OGRID No. 025575	Operator Name YATES PETROLEUM CORPORATION	Elevation 3096

Surface Location

UL or lot No. P	Section 36	Township 24S	Range 27E	Lot Idn	Feet from the 990	North/South line SOUTH	Feet from the 660	East/West line EAST	County EDDY
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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
Dedicated Acres 320	Joint or Infill	Consolidation Code	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

PROJECT AREA PRODUCING AREA 660' 660' 660' 660' 990' N.33°10'09.4" W.104°08'15.5" N.425372.2 E.601886.7 (NGS-84) 10-6885				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. Signature Date 6/25/07 Cy Cowan, Regulatory Printed Name Agent	
				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. 6/21/2007 Date Surveyed Signature & Seal of Professional Surveyor Certificate No. Herschel L. Jones 3640 GENERAL SURVEYING REGISTERED PROFESSIONAL SURVEYOR	