

OCT 17 2008

OCD-ARTESIA

Form 3160-3
(April 2004)

UNITED STATES **N.M.** **Oil Cons.**
DEPARTMENT OF THE INTERIOR **Dist. 2**
BUREAU OF LAND MANAGEMENT **1301 W. 1st Avenue**
Artesia, NM 88210

APPLICATION FOR PERMIT TO DRILL OR REENTER

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

1a Type of Work. <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. NM-101580
1b. Type of Well: <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other <input type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone		6. If Indian, Allottee or Tribe Name
2. Name of Operator Yates Petroleum Corporation		7. If Unit or CA Agreement, Name and No.
3a Address 105 South 4th Street, Artesia, NM 88210-2118	3b. Phone No. (include area code) 575-748-1471	8. Lease Name and Well No. Grid Iron BLI Federal Com. #2
4 Location of well (Report location clearly and in accordance with any State requirements. *) At surface 1980' FSL and 660' FWL, Unit L (NWSW) At proposed prod. zone Same as above		9. API Well No. 30-005-64063
14 Distance in miles and direction from the nearest town or post office* Approximately 22 miles, east of Roswell, New Mexico		10. Field and Pool, or Exploratory Wolcamp 97361
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drlg. unit line, if any) 660 Feet	16. No. of acres in lease 1448.56	11. Sec., T., R., M., or Blk. And Survey or Area Section 6, T12S-R27E
18 Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 1000 Feet	19. Proposed Depth 5,595 Feet	12. County or Parish Chaves
21 Elevations (Show whether DF, RT, GR, etc.) 3739 Feet - GR	22. Approximate date work will start* ASAP	13 State NM
24 Attachments ROSWELL CONTROLLED WATER BASIN		20. BLM/ BIA Bond No. on file NATIONWIDE BOND #NMB000434
23 Estimated duration 30 Days		

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 shall be filed with the appropriate Forest Service Office). | 6 Such other site specific information and/ or plans as may be required by the authorized officer. |

25. Signature <i>Debbie L. Caffall</i>	Name (Printed/ Typed) Debbie L. Caffall	Date 9/11/2008
Title Regulatory Agent - debbiec@ypcnm.com		
Approved By (Signature) <i>/s/ Jerry Dutchover</i>	Name (Printed/ Typed) /s/ Jerry Dutchover	Date OCT 15 2008
Title 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 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 willfully 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)

DECLARED WATER BASIN

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS AND
SPECIAL STIPULATIONS ATTACHED

CEMENT BEHIND THE **85'**
CASING MUST BE CIRCULATED **WITNESS**

INSTRUCTIONS

GENERAL: This form is designed for submitting proposals to perform certain well operations, as indicated, on Federal and 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 information collection 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 U.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
1525 N. French Dr., Hobbs, NM 88240

DISTRICT II
1201 W. Grand Avenue, Artesia, NM 88210

DISTRICT III
1000 Rio Grande Rd., Artesia, NM 87410

DISTRICT IV
1220 N. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-102
Revised October 12, 2005

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

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

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30.005.64063	Pool Code 97361	Pool Name Wolfcamp; Coyote (G)
Property Code 32239	Property Name GRIDIRON "BLI" FEDERAL COM	Well Number 2
OGRID No. 025575	Operator Name YATES PETROLEUM CORP.	Elevation 3739'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
L	6	12 S	27 E		1980	SOUTH	660	WEST	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
Dedicated Acres S/2 320 acres		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

		<p>SURFACE LOCATION Lat - N33°18'18.00" Long - W104°16'58.57" SPC- N.: 838509.609 E.: 556738.274 (NAD-83)</p>		<p>NM-101580</p>	
<p>OPERATOR CERTIFICATION</p> <p>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 undivided 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.</p> <p>Signature: <i>Debbie L. Caffall</i> Date: 8/21/2008</p> <p>Printed Name: Debbie L. Caffall</p>					
<p>SURVEYOR CERTIFICATION</p> <p>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.</p> <p>DATE SURVEYED: AUGUST 15, 2008</p> <p>Signature of Professional Surveyor: <i>[Signature]</i></p> <p>W.O. No.: 101580-19</p> <p>Certificate No. Gary L. Jones 7977</p> <p>Basin Surveys</p>					

YATES PETROLEUM CORPORATION
Grid Iron BLI Federal Com. #2
1980' FSL and 660' FWL, Unit L (NWSW)
Section 6-T12S-R27E
Chaves County, New Mexico

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

Seven Rivers	230'	Tubb	3800'
Queen	610'	Abo	4565'
Penrose	695'	Abo Carbonate	4885'
Grayburg	905'	Wolfcamp	5155'
San Andres	1135'	Wolfcamp Lime	5305'
San Andres Sandlewood Lime Zone	2140'	WC B Zone	5395'
Glorieta	2310'	TD	5595'
Yeso	2420'		

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

Water: 100' – 150'

Oil or Gas: as follows

Queen	Gas or Oil	Abo	Gas
Penrose	Gas or Oil	Abo Carbonate	Gas
Grayburg	Gas or Oil	Wolfcamp	Gas
San Andres	Gas or Oil	Wolfcamp Lime	Gas
San Andres Sandlewood Lime Zone	Gas or Oil	WC B Zone	Gas

3. Pressure Control Equipment: BOPE will be installed on the 8 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>
12 1/4"	8 5/8"	24 #	J-55	ST&C	0'-1200'	1200'
7 7/8"	5.5"	15.5 #	J-55	LT&C	0'-5595'	5595'

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

2. A 3000 psi BOPE will be nipples up and tested on 8 5/8" casing.

B. CEMENTING PROGRAM:

Surface Casing: 375 sacks C Lite (WT 12.50 YLD 2.00). Tail in with 200 sacks C (WT 14.80 YLD 1.32). TOC surface.

Production Casing: 400 sacks LiteCrete (WT 9.80 YLD 2.92). Tail in with 400 sacks of Pecos VILt (WT 13.00 YLD 1.41). Top of Cement approx. 700'.

6. MUD PROGRAM AND AUXILIARY EQUIPMENT:

<u>Interval</u>	<u>Type</u>	<u>Weight</u>	<u>Viscosity</u>	<u>Fluid Loss</u>
0-1200	Fresh Water Gel	8.40-8.60	32-36	N/C
1200-4500	Cut Brine	9.40-9.60	28-28	N/C
4500-5595	Saltgel/Starch/4-6% KCL	9.60-9.80	45-55	6.0

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.

7. EVALUATION PROGRAM:

Samples: 10' samples from under surface casing to TD

Logging: Platform Express; CNL/LDT/NGT TD to surf csg; CNL/GR TD to surf.; DLL/MSFL TD to surf csg; BHC Sonic TD to surf csg.

Coring: None anticipated

DST's: None Anticipated

Mudlogging: Yes

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

Maximum Anticipated BHP:

0'-1200' 540 PSI

1200'-5595' 2850 PSI

Abnormal Pressures Anticipated: None

Lost Circulation Zones Anticipated: None.

H2S Zones Anticipated: None Anticipated

Maximum Bottom Hole Temperature: 150 F

9. 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 20 days.

MULTI-POINT SURFACE USE AND OPERATIONS PLAN
YATES PETROLEUM CORPORATION
Grid Iron BLI Federal Com. #2
1980' FSL and 660' FWL, Unit L (NWSW)
Section 6-T12S-R27E
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 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 – A4.

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 with locked cattle guard (must remain closed and locked at all times) continue east approximately 1 mile, road turns north turn left and continue north for approximately 1 mile. The road turns east prior to a cattle guard and travels on a ranch/lease road for approximately less than .5 of a mile where the lease road will travel north/east through cattle guard and continue travel north/east through another cattle guard and continue travel for approximately .7 of a mile to (just prior to the YPC Football BCF Federal #2 H location). The new road will start here to the right (east) and travel for approximately 389.2 feet to a fence (cut and cattle guard will be required) and two track road (east of fence). Continue travel for approximately 536.9 feet to the southwest corner of the proposed location.

2. PLANNED ACCESS ROAD:

- A. The proposed new access will be approximately 389.2 feet in length in section 1, T12S-R26E (fee land) in an easterly direction traveling into section 6, T12S-R27E (fee land) for approximately 536.9 feet in length more or less to the southwest corner of the drilling pad.
- B. The new road will be 30 feet in width with 16 feet in width (driving surface) and will be adequately drained to control runoff and soil erosion.
- C. The new road will be bladed with drainage on both sides if needed. Traffic turnouts if warranted.
- D. The route of the road is visible.
- E. 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 not be installed on the proposed pad for the Grid Iron BLI Federal Com. #2; however will be located on the existing drilling pad of YPC – Football BCF Federal #2H, 1980' FSL and 250' FEL, Section 1, T12S-R26E (surface). (Per Surface Use Agreement)
- C. If the well is productive of 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 productive of gas. (Per Surface Use Agreement)
- D. Should a Pipeline Right-Of-Way be required it will be filed under a separate application and/or by 3rd party if applicable.

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-A4.

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 collected in tanks until hauled to an approved disposal system.
- B. A closed loop system will be constructed, maintained and closed in compliance with the State of New Mexico, Energy and Natural Resources Department, Oil Conservation Division—the “Pit Rule” 19.15.17 NMAC. Form C-144 attached – Exhibit E.
- C. Drilling fluids will be removed after drilling and completions are completed.
- 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 closed loop design plan, the location of the drilling equipment, orientation and access road approach. (approximately 4.5 acres)
- B. The closed loop system will be constructed, maintained, and closed in compliance with the State of New Mexico, Energy and Natural Resources Department, Oil Conservation Division – the “Pit Rule” 19.15.17 NMAC. Form C-144 is attached – Exhibit E.
- 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 a condition as possible.
- B. 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.

11. SURFACE OWNERSHIP: FEE Lands
Elliott G. McMaster and Evelyn McMaster
Trust under Trust Agreement dated December 18, 1990
PO Box 176
Datil, NM 87821

A surface use, damage and access agreement has been entered into between Elliott G. McMaster and Evelyn McMaster Trust, u/t/a December 18, 1990 and Yates Petroleum Corporation - with a time limitation.

Minerals: NM-101580

Federal - Administered by Bureau of Land Management, Roswell Field Office,
2909 W. Second Street, Roswell, NM 88201-2019

Phone: 575-627-0272 **FAX:** 575-627-0276

12. OTHER INFORMATION:

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

Exhibits Attached

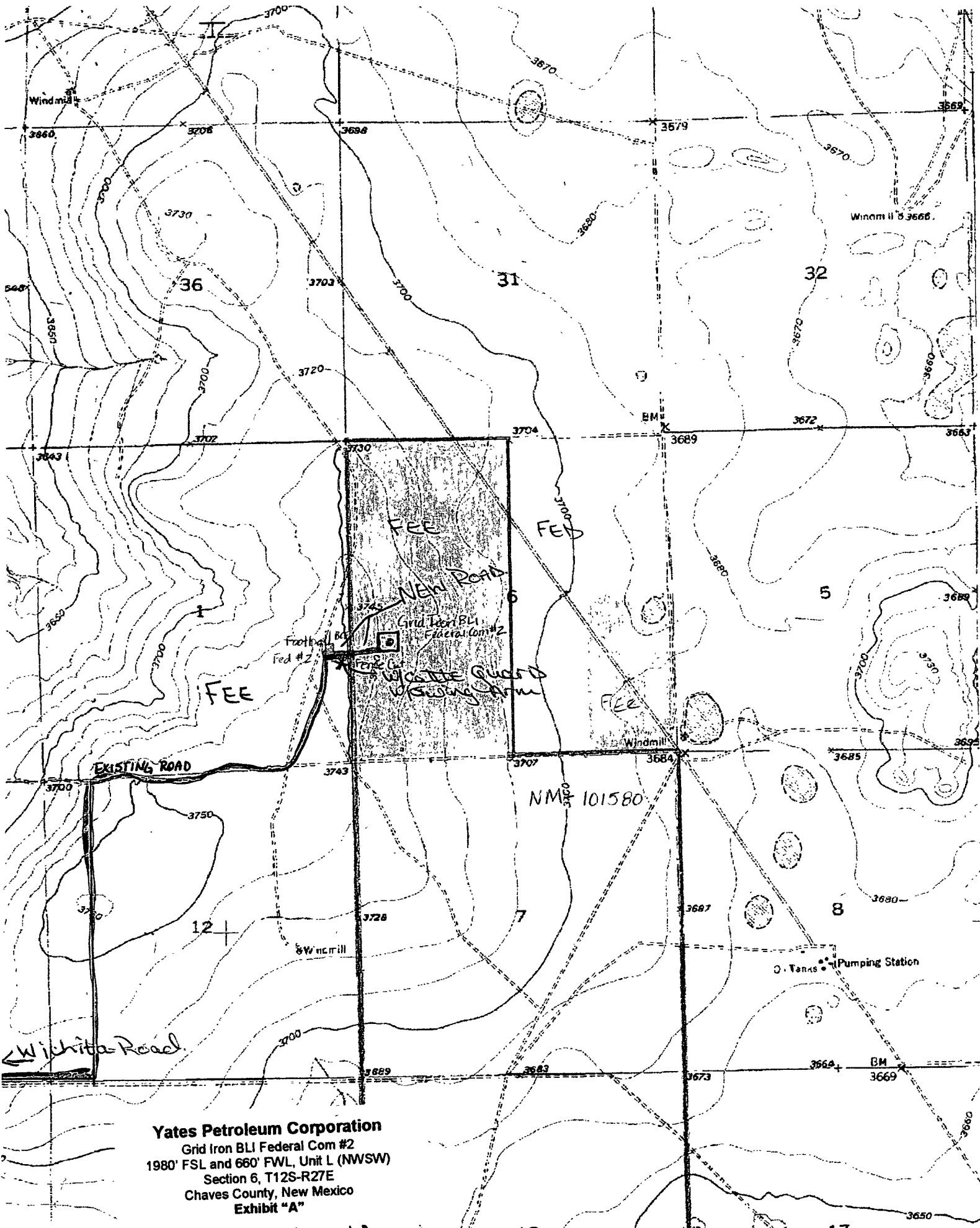
Exhibit A – A4 Topo/Vicinity Maps

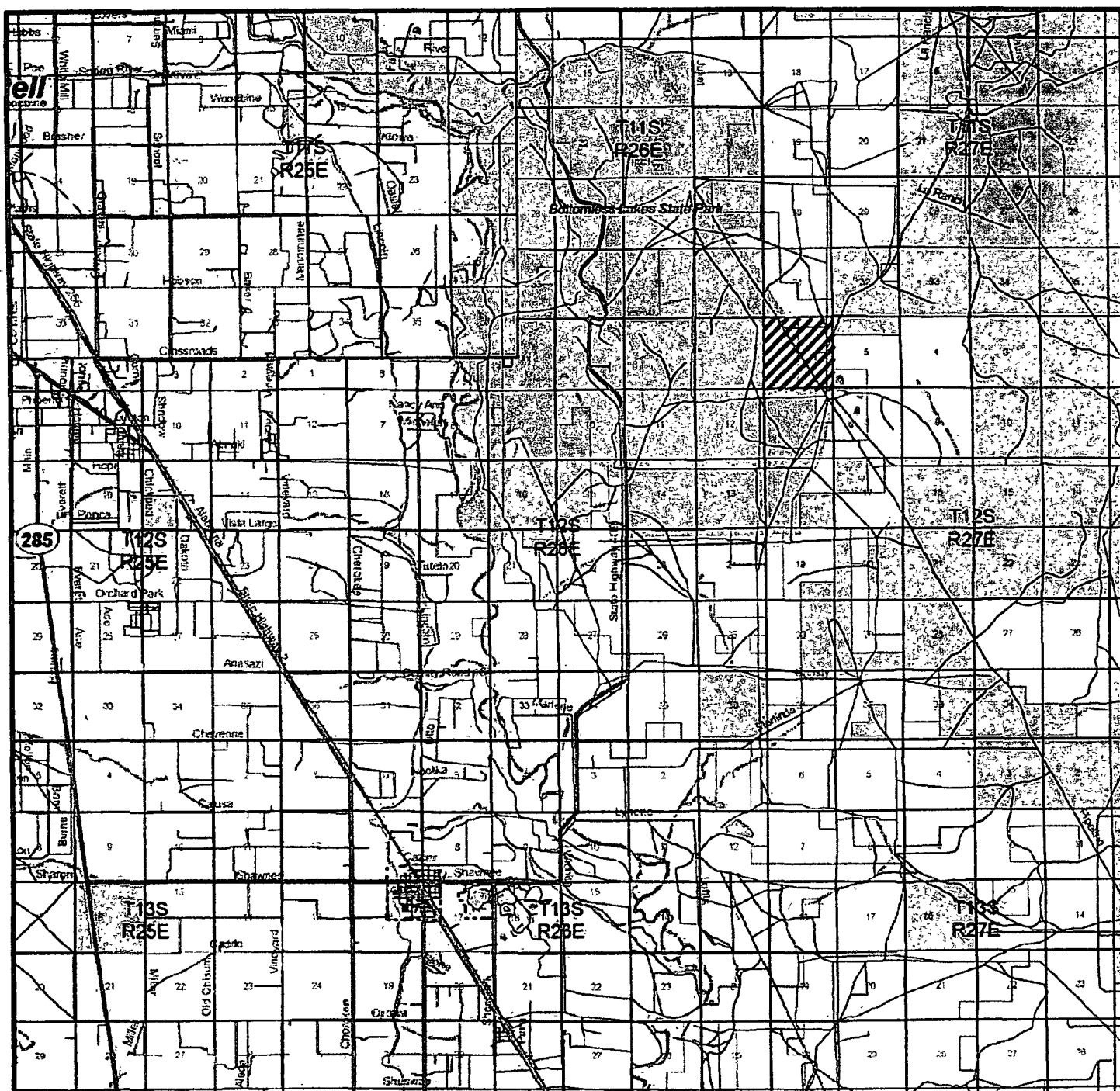
Exhibit B – Pressure System

Exhibit C - Location Layout

Exhibit D –One Mile Radius

Exhibit E - Form C-144





GRIDIRON "BLI" FEDERAL COM #2
 Located at 1980' FSL AND 660' FWL
 Section 6, Township 12 South, Range 27 East,
 N.M.P.M., Chaves County, New Mexico.

basin
surveys
 focused on excellence
 in the oilfield

P.O. Box 1786
 1120 N. West County Rd.
 Hobbs, New Mexico 88241
 (575) 393-7316 - Office
 (575) 392-2208 - Fax
 basinsurveys.com

W.O. Number: JMS 20319

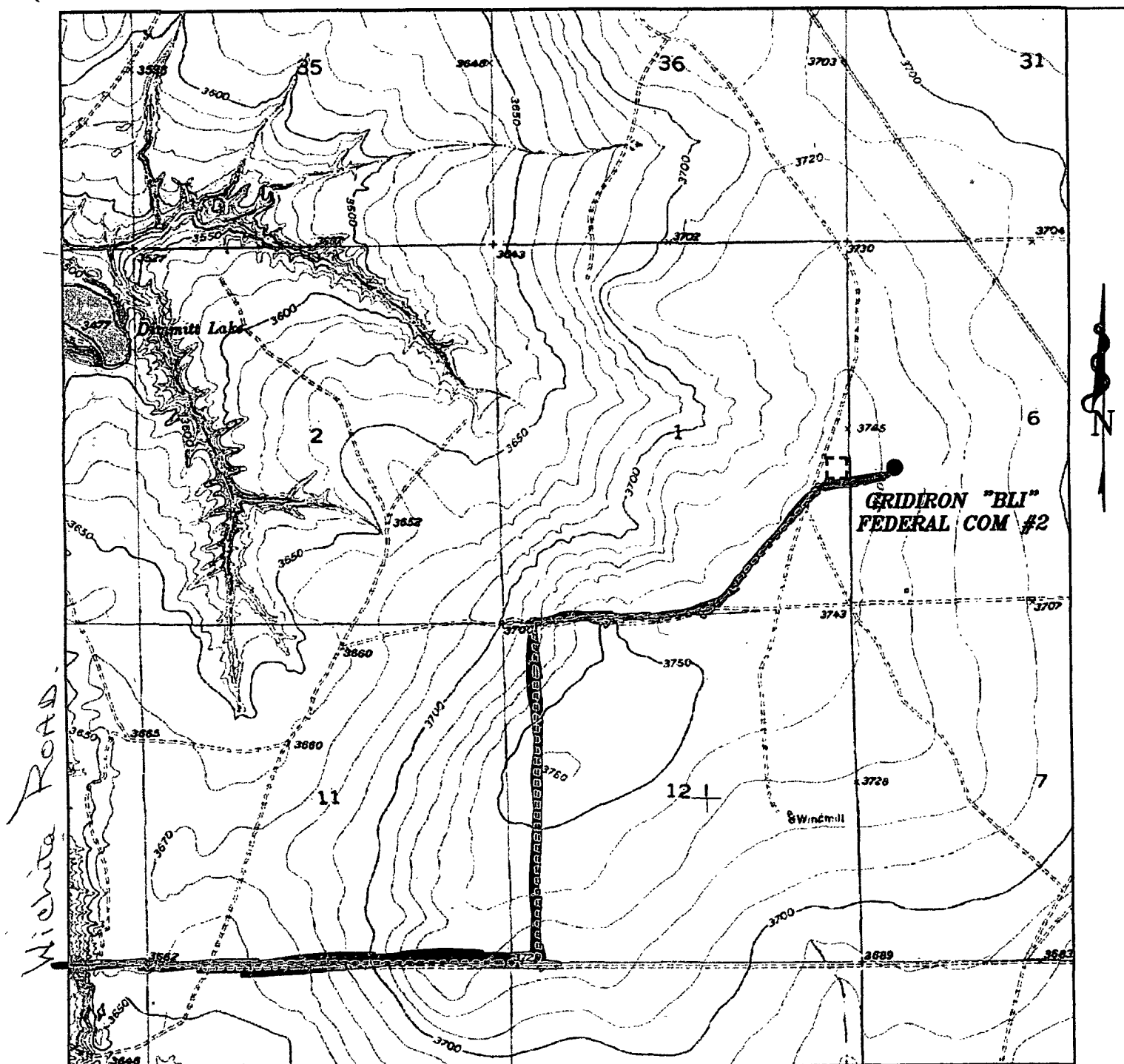
Survey Date: 08-15-2008

Scale: 1" = 2 MILES

Date: 08-18-2008

YATES

Yates Petroleum Corporation
 Grid Iron BLI Federal Com #2
 1980' FSL and 660' FWL, Unit L (NWSW)
 Section 6, T12S-R27E
 Chaves County, New Mexico
 Exhibit "A-1"



GRIDIRON "BLI" FEDERAL COM #2
 Located at 1980' FSL AND 660' FWL
 Section 6, Township 12 South, Range 27 East,
 N.M.P.M., Chaves County, New Mexico.

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 in the oilfield

P.O. Box 1786
 1120 N. West County Rd.
 Hobbs, New Mexico 88241
 (575) 393-7316 - Office
 (575) 392-2206 - Fax
 basin-surveys.com

W.O. Number: 20319

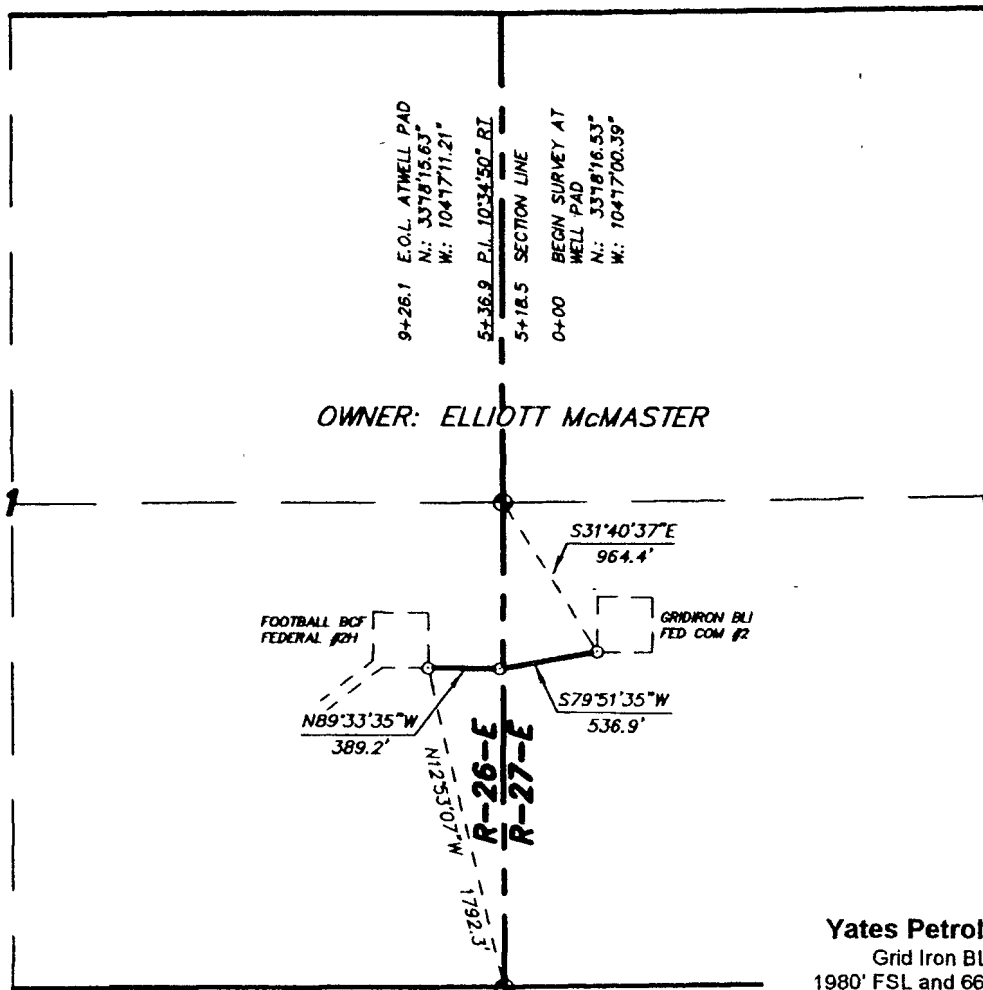
Survey Date: 08-15-2008

Scale: 1" = 2000'

Date: 08-18-2008

Yates Petroleum Corporation
 Grid Iron BLI Federal Com #2
 1980' FSL and 660' FWL, Unit L (NWSW)
 Section 6, T12S-R27E
 Chaves County, New Mexico
 Exhibit "A-2"

SECTION 6, TOWNSHIP 12 SOUTH, RANGE 27 EAST, N.M.P.M.,
 SECTION 1, TOWNSHIP 12 SOUTH, RANGE 26 EAST, N.M.P.M.,
 CHAVES COUNTY, NEW MEXICO.



OWNER: ELLIOTT McMASTER

Yates Petroleum Corporation
 Grid Iron BLI Federal Com #2
 1980' FSL and 660' FWL, Unit L (NWSW)
 Section 6, T12S-R27E
 Chaves County, New Mexico
 Exhibit "A-3"

LEGAL DESCRIPTION

A STRIP OF LAND 20.0 FEET WIDE, LOCATED IN SECTION 1, TOWNSHIP 12 SOUTH, RANGE 26 EAST, AND SECTION 6, TOWNSHIP 12 SOUTH, RANGE 27 EAST N.M.P.M., CHAVES COUNTY, NEW MEXICO AND BEING 10.0 FEET LEFT AND RIGHT OF THE FOLLOWING DESCRIBED CENTERLINE SURVEY.

BEGINNING AT A POINT WHICH LIES S. 31°40'37"E., 964.4 FEET FROM THE WEST QUARTER CORNER OF SAID SECTION 6; THENCE S. 79°51'35"W., 536.9 FEET; THENCE N. 89°33'35"W., 389.2 FEET TO THE END OF THIS LINE WHICH LIES N. 12°53'07"W., 1792.3 FEET FROM THE SOUTHEAST CORNER OF SAID SECTION 1. SAID STRIP OF LAND BEING 926.1 FEET OR 56.13 RODS IN LENGTH.

I HEREBY CERTIFY THAT THIS PLAT WAS PREPARED FROM FIELD NOTES OF AN ACTUAL SURVEY AND MEETS OR EXCEEDS ALL REQUIREMENTS FOR LAND SURVEYS AS SPECIFIED BY THIS STATE.

GARY L. JONES, Surveyor No. 7977
 TEXAS P.L.S. No. 5074

1000 0 1000 2000 FEET

YATES PETROLEUM CORP.

REF: PROP. ROAD TO THE GRIDIRON "BLI" FEDERAL COM #2

A LEASE ROAD CROSSING FEE LAND IN
 SECTION 1, TOWNSHIP 12 SOUTH, RANGE 26 EAST,
 SECTION 6, TOWNSHIP 12 SOUTH, RANGE 27 EAST,
 N.M.P.M., CHAVES COUNTY, NEW MEXICO.

Basin Surveys P.O. BOX 1786-HOBBS, NEW MEXICO

W.O. Number: 20319

Drawn By: J M SMALL

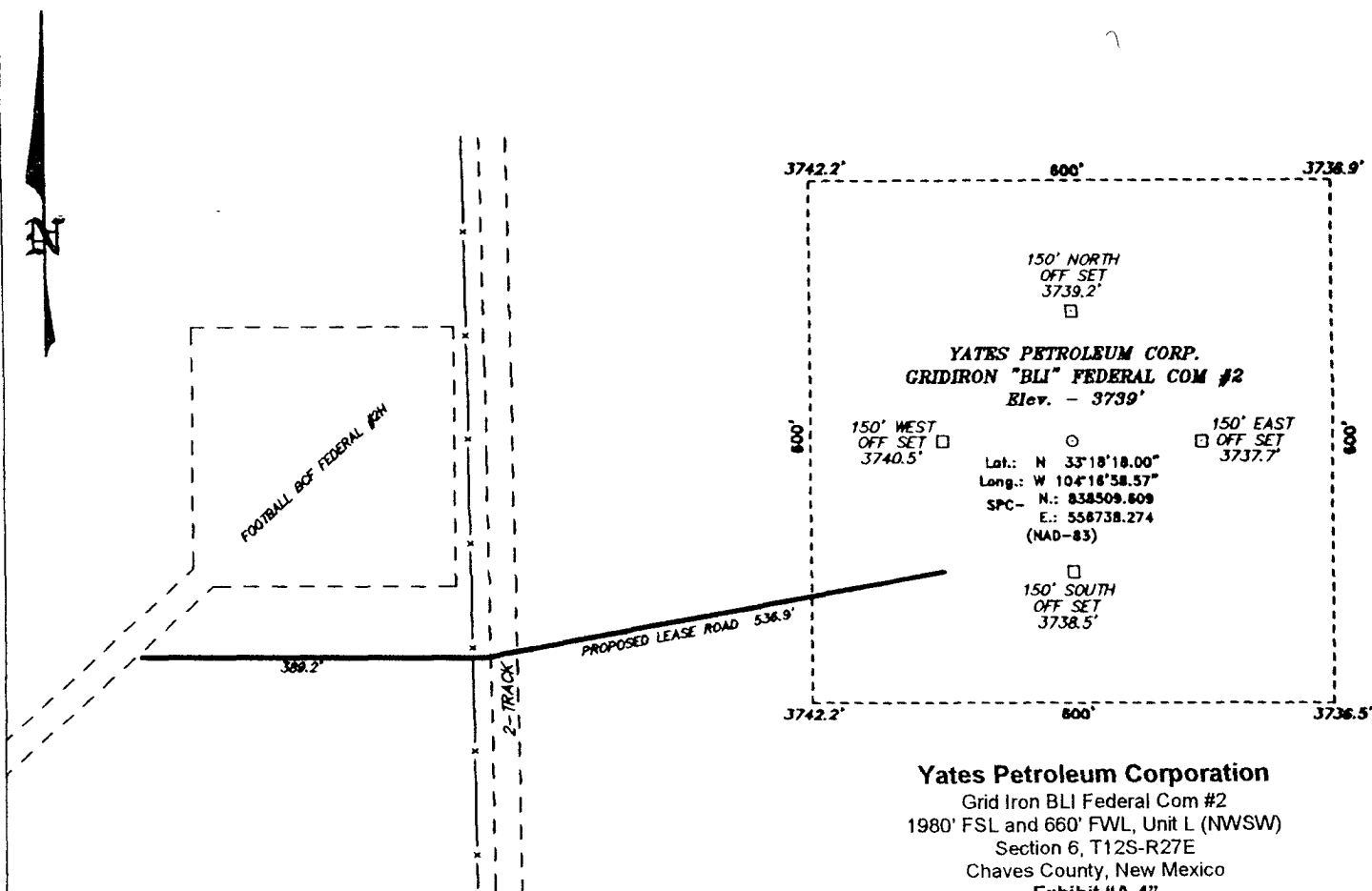
Date: 08-18-2008

Disk: JMS 20319

Survey Date: 08-14-2008

Sheet 1 of 1 Sheets

SECTION 6, TOWNSHIP 12 SOUTH, RANGE 27 EAST, N.M.P.M.,
CHAVES COUNTY, NEW MEXICO.



Yates Petroleum Corporation
Grid Iron BLI Federal Com #2
1980' FSL and 660' FWL, Unit L (NWSW)
Section 6, T12S-R27E
Chaves County, New Mexico
Exhibit "A-4"

100 0 100 200 FEET
SCALE: 1" = 100'

YATES PETROLEUM CORP.

REF: GRIDIRON "BLI" FEDERAL COM #2 / WELL PAD TOPO

THE GRIDIRON "BLI" FEDERAL COM #2 LOCATED 1980'
FROM THE SOUTH LINE AND 660' FROM THE WEST LINE OF
SECTION 6, TOWNSHIP 12 SOUTH, RANGE 27 EAST,
N.M.P.M., CHAVES COUNTY, NEW MEXICO.

BASIN SURVEYS P.O. BOX 1786-HOBBS, NEW MEXICO

W.O. Number: 20319

Drawn By: J. M. SMALL

Date: 08-18-2008

Disk: 20319W JMS

Survey Date: 08-15-2008

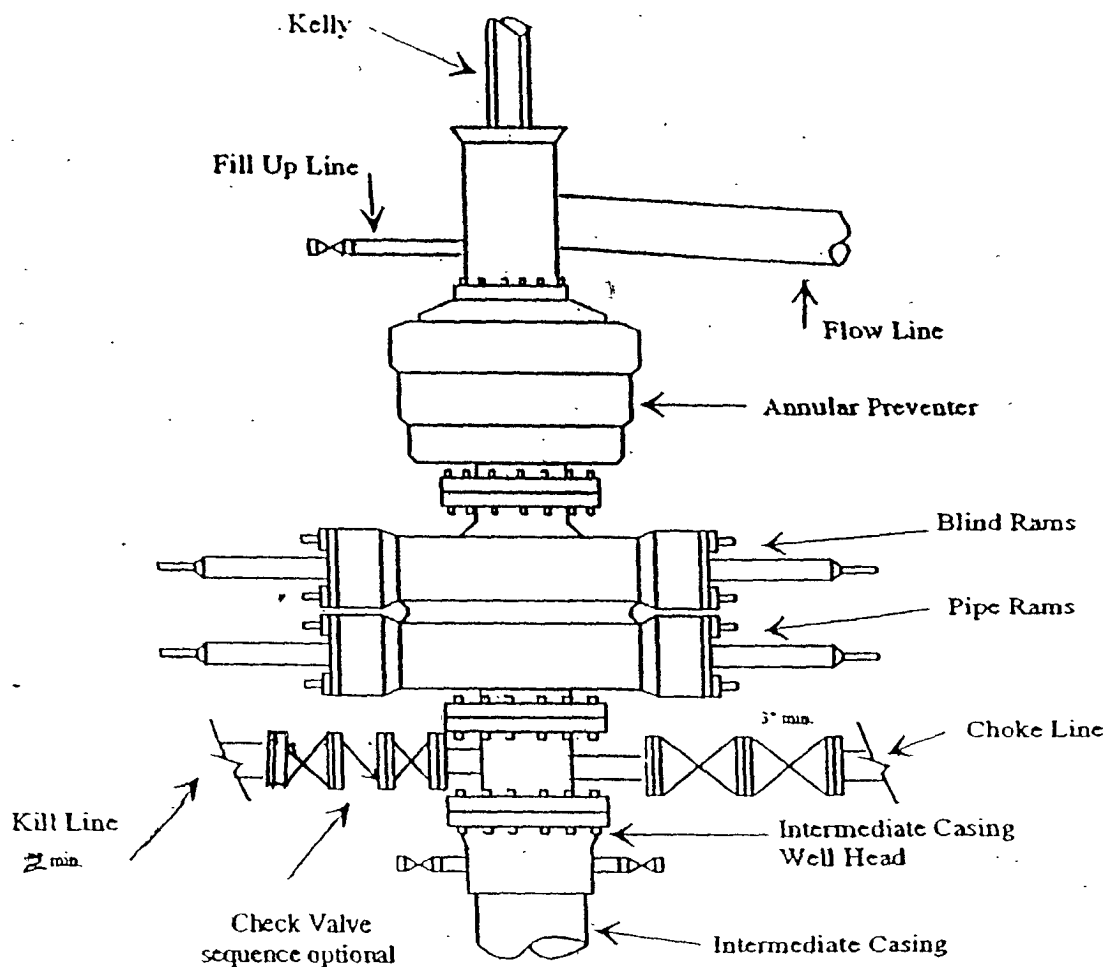
Sheet 1 of 1 Sheets



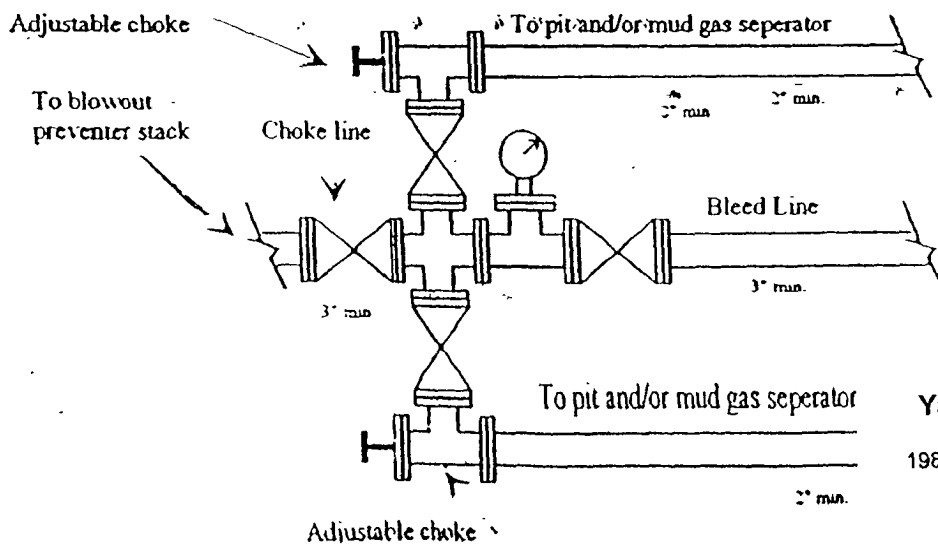
Yates Petroleum Corporation

BOP-3

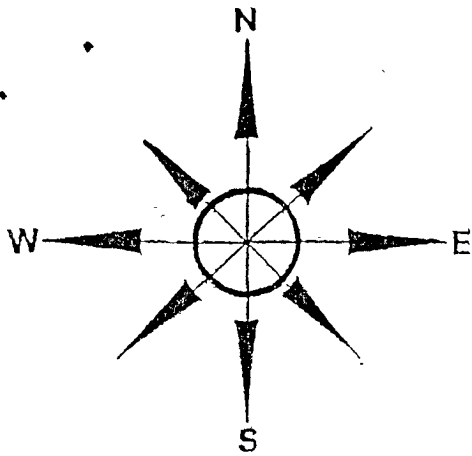
Typical 3,000 psi Pressure System Schematic Annular with Double Ram Preventer Stack



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



Yates Petroleum Corporation
Grid Iron BLI Federal Com.#2
1980' FSL and 660' FWL, Unit L (NWSW)
Section 6, T12S-R27E
Chaves County, New Mexico
Exhibit "B"



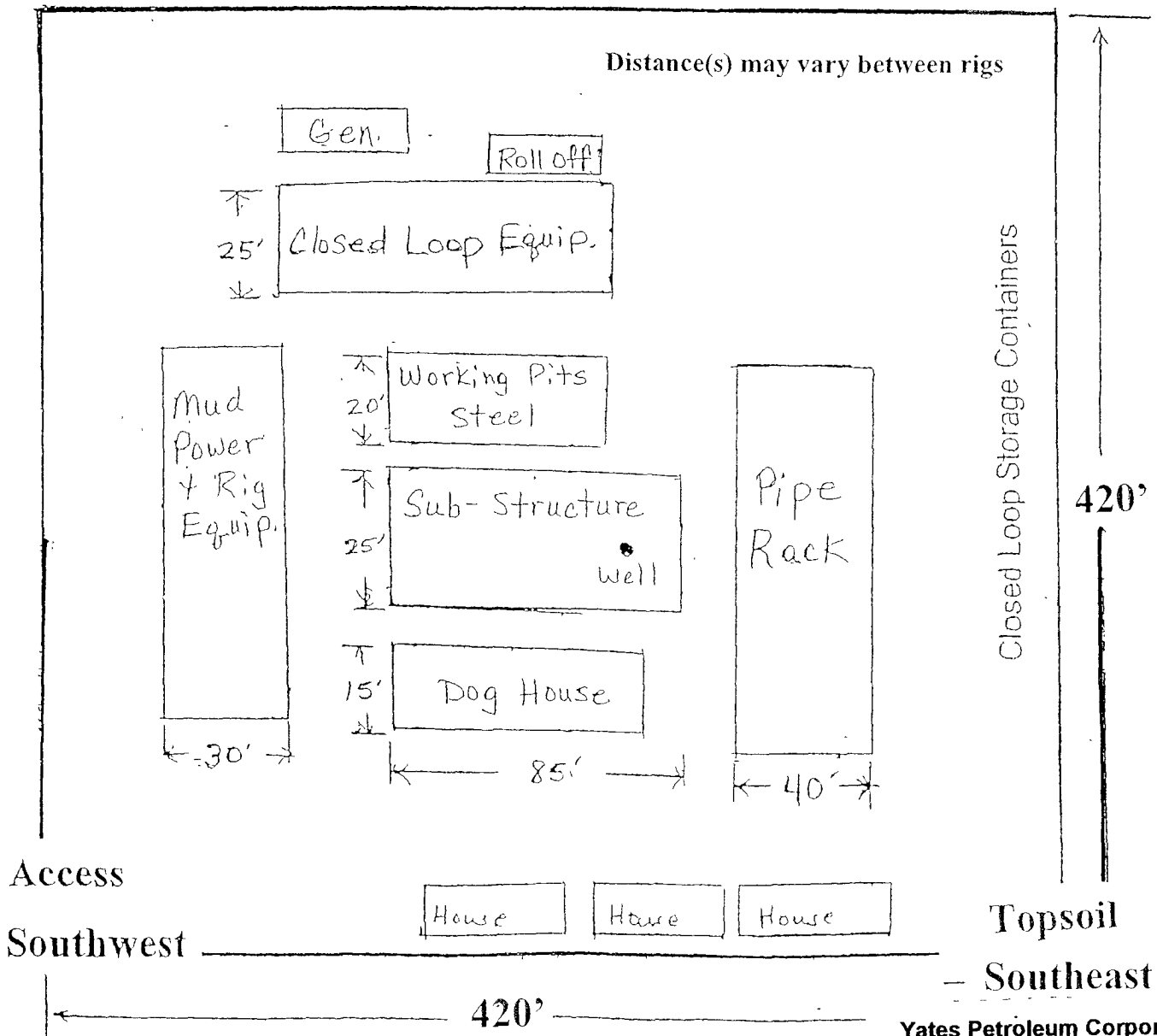
Yates Petroleum Corporation
Location Layout for Permian Basin
Up to 12,000'

PB - L1

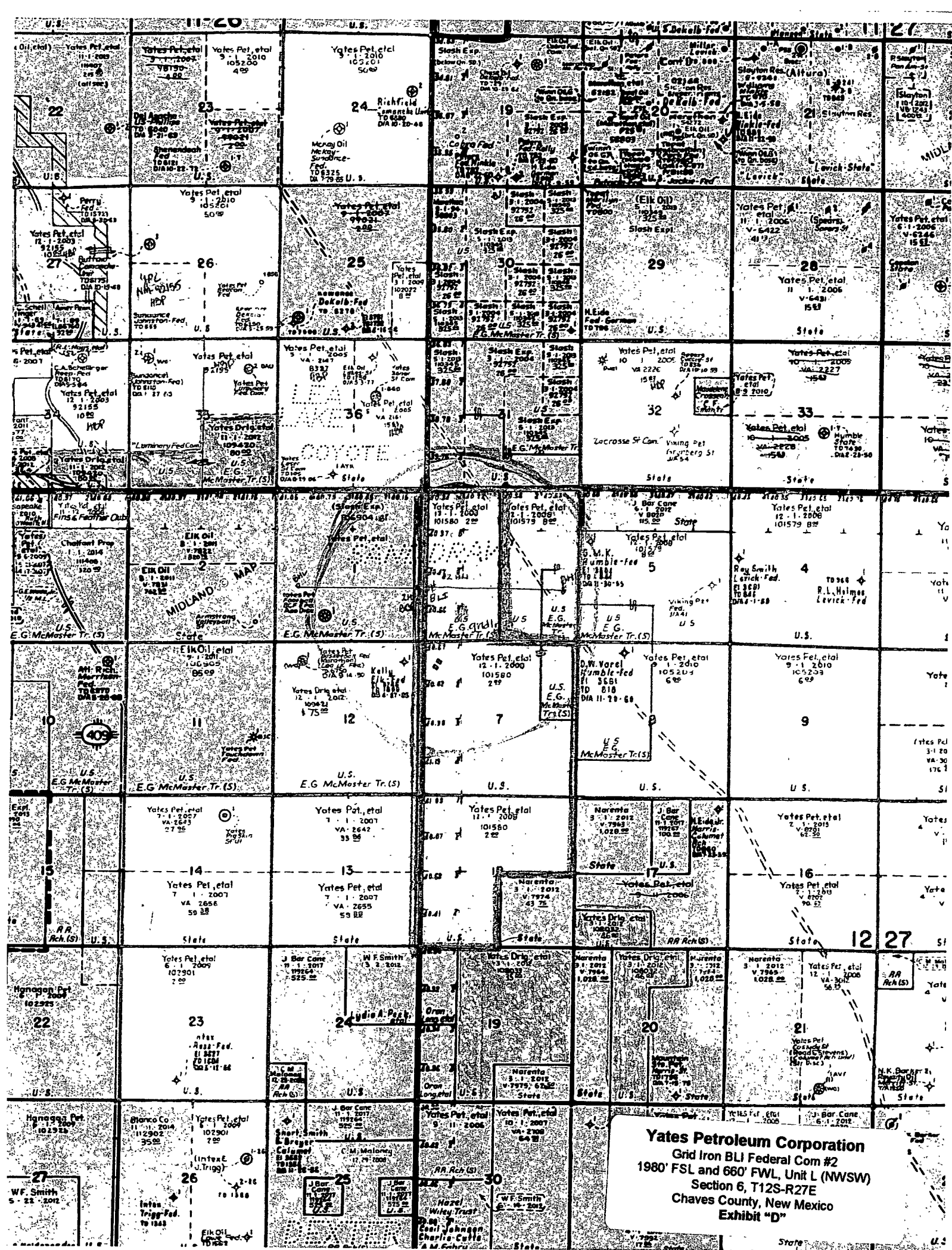
Closed Loop Design Plan North

Not - To - Scale

The 420' x 420' dimension should be a maximum.



Yates Petroleum Corporation
Grid Iron BLI Federal Com #2
1980' FSL and 660' FWL, Unit L (NWSW)
Section 6, T12S-R27E
Chaves County, New Mexico
Exhibit "C"



CERTIFICATION
YATES PETROLEUM CORPORATION
Grid Iron BLI Federal Com. #2
1980' FSL and 660' FWL, Unit L (NWSW)
Section 6-T12S-R27E
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 18th day of September 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

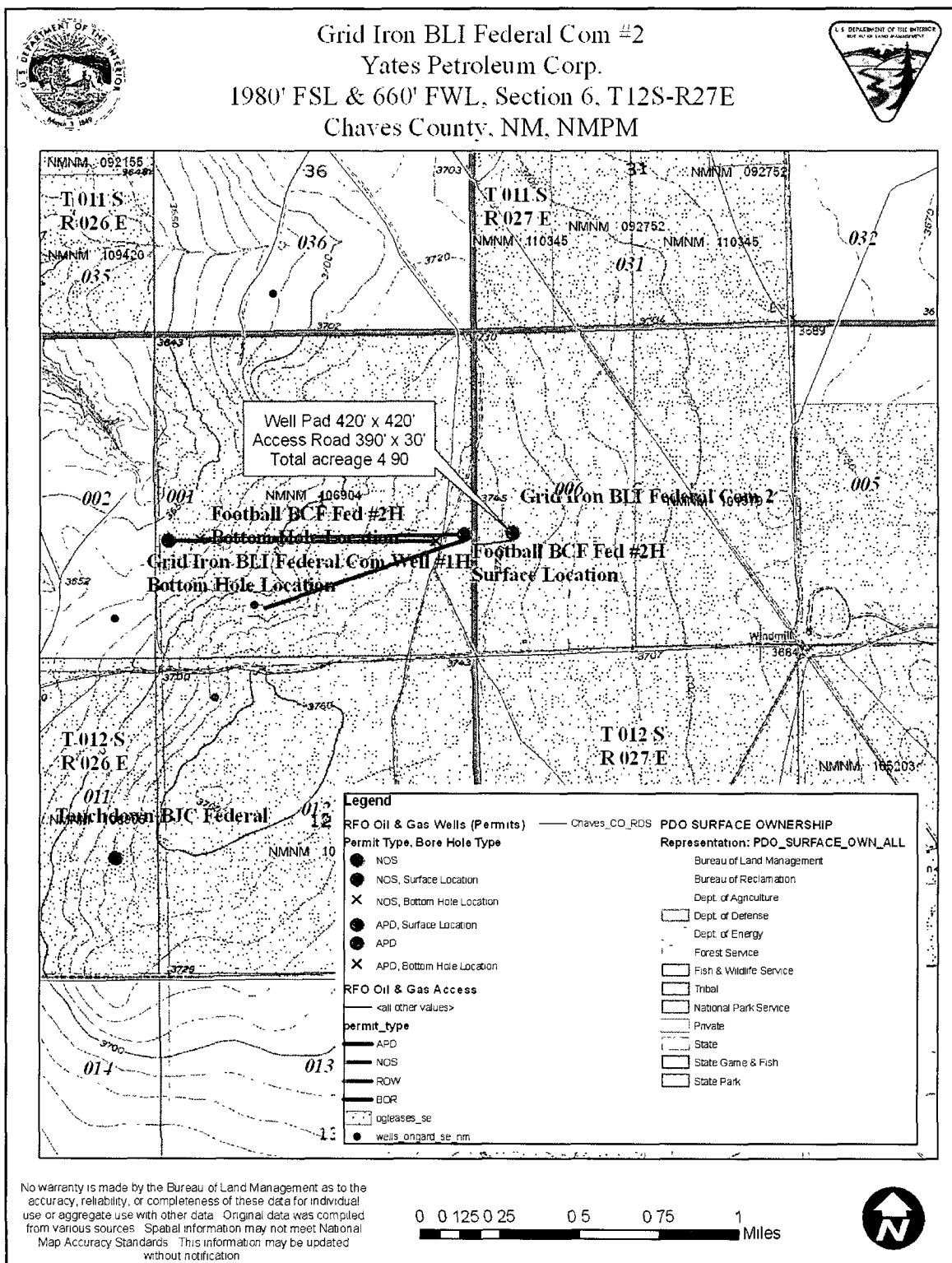
Field Representative (if not above signatory) Tim Bussell

Address (if different from above) Same

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

E-mail (optional) _____

Exhibit A General Location Map



**EXHIBIT B
PECOS DISTRICT - RFO
CONDITIONS OF APPROVAL**

October 14, 2008

Yates Petroleum Corporation
Grid Iron BLI Federal Com. #2
1980' FSL & 660' FWL, Unit Letter L,
Section 12, T. 12 S., R.27 E.,
Chaves County, New Mexico, NMPM.
NM-101580

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 topsoil will be stripped to approximately 6 inches in depth within the area designated for construction of the well pad. The operator shall stockpile the stripped topsoil on the side of the well pad. The topsoil will be used for interim and final reclamation of the surface disturbance created by the construction of the well pad.

C. CLOSED SYSTEMS OR STEEL TANKS: No reserve pit will be used.

Steel tanks are required for drilling operations: No Pits Allowed.

The operator shall properly dispose of drilling contents at an authorized disposal site.

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 Egress and Ingress

The access road shall be constructed to access the corner of the well pad.

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.

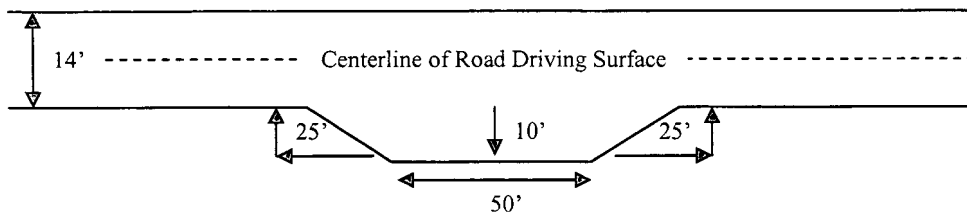
Crowning

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:

Standard Turnout – Plan View

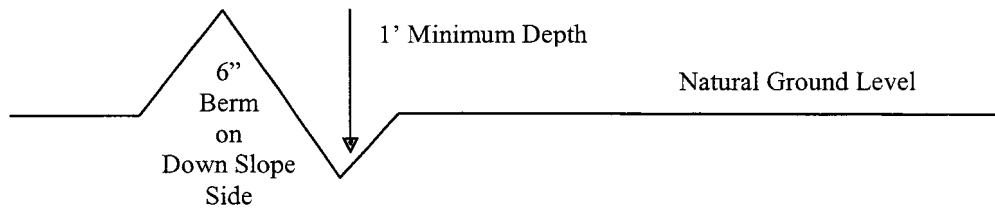


Drainage

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

An appropriately sized cattleguard(s) sufficient to carry out the project shall be installed and maintained at fence crossing(s).

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

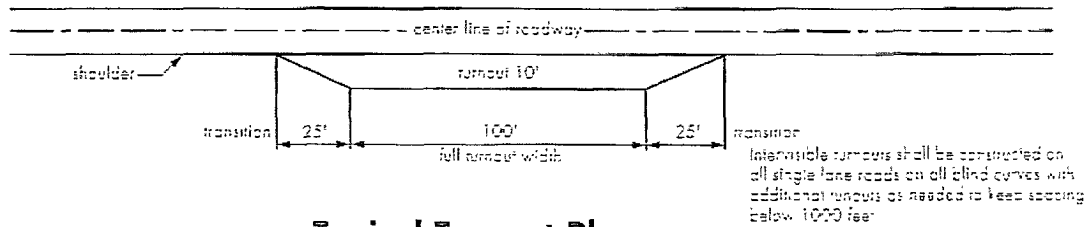
Where entry is required across a fence line, the fence shall be braced and tied off on both sides of the passageway prior to cutting.

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

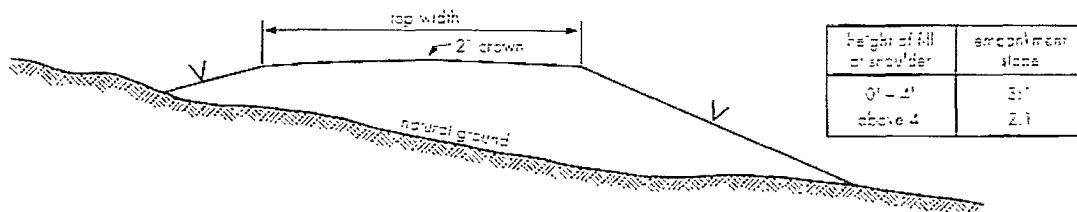
Public Access

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

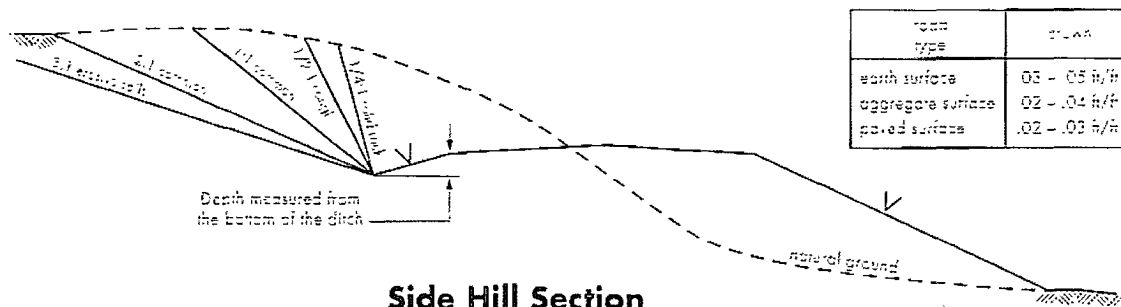
Figure 1 – Cross Sections and Plans For Typical Road Sections



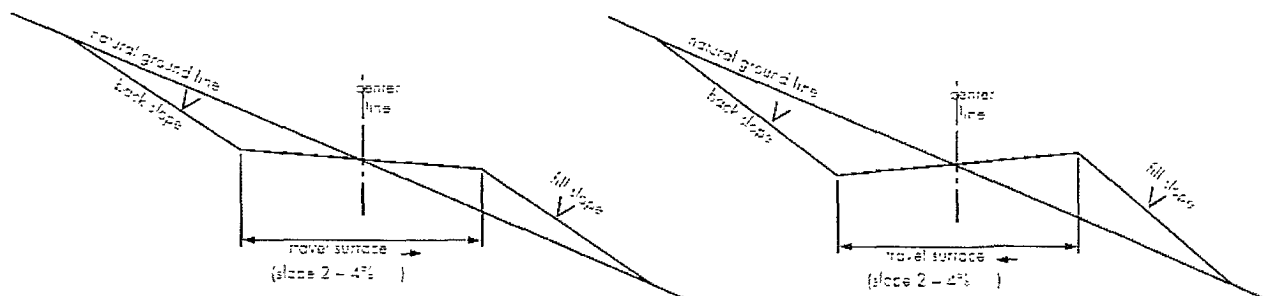
Typical Turnout Plan



Embankment Section



Side Hill Section



Typical Outsloped Section

Typical Insloped Section

V. DRILLING

A. DRILLING OPERATIONS REQUIREMENTS

- 1 Chaves and Roosevelt Counties
Call the Roswell Field Office, 2909 West Second St., Roswell, NM 88201, 24 hours at (575) 627-0205.
2. The BLM is to be notified a minimum of 24 hours in advance for a representative to witness:
 - a. Spudding well
 - b. Setting and/or Cementing of all casing strings

The BLM is to be notified a minimum of 4 hours in advance for a representative to witness:

BOPE Tests

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. The operator will accurately measure the drilling rate in ft/min to set the base of the usable water protection casing string opposite competent rock. The record of the drilling rate along with the caliper-gamma ray-neutron well log run to surface will be submitted to this office as well as all other logs run on the borehole 30 days from completion.
5. Air, air-mist or fresh water and non toxic drilling mud shall be used to drill to the base of the usable water protection casing string. Any polymers used will be water based and non-toxic.

B. CASING

1. The 8 5/8 inch usable water protection casing string shall be set at approximately 1200 ft. in competent bedrock.

If not the operator is required to set usable water protection casing string in between 1050 ft and 1200 ft. or in the next thick competent bedding (i.e. 15 to 25 ft or greater) encountered 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 BLM Roswell Field office shall be notified a minimum of 4 hours in advance for a representative to witness the tests.

b. The tests shall be done by an independent service company.

c. 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.

d. 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.

e. 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.

f. 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, Juniper Green (Standard Environmental Color Chart June 2008).

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.

The following seed mix may represent these ecological sites:

SEED MIXTURE		
Common Name and Preferred Variety	Scientific Name	Pounds of Pure Live Seed per Acre
Blue grama	(<i>Bouteloua gracilis</i>)	4.0
Sideoats grama	(<i>Bouteloua curtipendula</i>)	1.0
Sand dropseed	(<i>Sporobolus cryptandrus</i>)	0.5
Vine mesquite	(<i>Panicum obtusum</i>)	1.0
Plains bristlegrass	(<i>Setaria macrostachya</i>)	1.0
Indian blanketflower	(<i>Gaillardia aristata</i>)	0.5
Desert or Scarlet Globemallow	(<i>Sphaeralcea ambigua</i>) or (<i>S. coccinea</i>)	1.0
Annual sunflower	(<i>Helianthus annuus</i>)	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.

b. 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 and a copy of the release is to be submitted upon abandonment.

c. 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).

d. Surface Reclamation must be completed within 6 months of well plugging. If the operator proposes to modify the plans for surface reclamation approved on the APD, the operator must attach these modifications to the Subsequent Report of Plug and Abandon using Sundry Notices and Reports on Wells, Form 3160-5.