ATS-11-800
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OCD Artesia

Form 3160-3
(February 2005)

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

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

5. Lease Serial No. SHL BHL NM-82902 & NM-94164

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

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

1a. Type of Work: [X] DRILL [ ] REENTER

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

8. Lease Name and Well No. (22903): Domino "AOJ" Federal Com #10H

2. Name of Operator: Yates Petroleum Corporation 025575

9. API Well No. 38385 30-015-38385

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

3b. Phone No. (include area code): 575-748-1471

10. Field and Pool, or Exploratory: N. Hackberry Wildcat Bone Sprimg (97056)

4. Location of well (Report location clearly and In accordance with any State requirements.*)
At surface: 2080' FSL & 330' FWL, NESW,Section 8-T19S-31E (L)
At proposed prod. zone: 1980' FSL & 330' FEL, NESE,Section 8-T19S-R31E

11. Sec., T., R., M., or Blk. And Survey or Area: Sec. 8-19S-31E

14. Distance in miles and direction from the nearest town or post office*: Approximately 15 miles southeast of Loco Hills, NM

12. County or Parish: Eddy

13. State: NM

15. Distance from proposed* location to nearest (Also to nearest drlg. unit line, if any): 330'

16. No. of acres in lease: 920 BH & 160 SH

17. Spacing Unit dedicated to this well: N2S2-Sec.8-19S-31E

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

19. Proposed Depth: 8820 VD & 13236 MD

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

21. Elevations (Show whether DF, KDB, RT, GL, etc.): 3478 GL

22. Aproximate date work will start*: ASAP

23. Estimated duration: 60 days

RECEIVED
DEC 27 2010
NMOCD ARTESIA

24. Attachments

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

1. Well plat certified by a registered surveyor.
2. ap
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: Clifton May — Name (Printed/ Typed): Clifton May — Date: 11/4/2010

Title: Land Regulatory Agent

Approved By (Signature): /s/ Don Peterson — Name (Printed/ Typed): — Date: DEC 21 2010

Title: FIELD MANAGER — Office: CARLSBAD FIELD OFFICE

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to cc operations thereon.
Conditions of approval, if any, are attached.

APPROVAL FOR TWO YEARS

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

* (Instructions on page 2)

SEE ATTACHED FOR CONDITIONS OF APPROVAL

Capitan Controlled Water Basin

APPROVAL SUBJECT TO GENERAL REQUIREMENTS AND SPECIAL STIPULATIONS ATTACHED

YATES PETROLEUM CORPORATION
Domino AOJ Federal Com. #10H
2080' FSL & 330' FWL, Surface Hole
1980'FSL & 330' FEL, Bottom Hole
Section 8 -T19S-R31-E
Eddy County, New Mexico

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

Rustler	500'	1st Bone Spring	7870' Oil Pay	
Tansill	1960' Oil Pay	2nd Bone Spring	8600' Oil Pay	8614'-MD
Yates	2100' Oil Pay	TD (Lateral Hole)	8820'	13236'-MD
Seven Rivers	2430' Oil Pay			
Queen	3200' Oil Pay			
Capitan	3800' Oil Pay ??			
Cherry Canyon	4130' Oil Pay			
Brushy Canyon	4980' Oil Pay			
Bone Spring	6460' Oil Pay			

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

Water: Approx 250' - 350'
Oil or Gas: All Potential Zones

Min 13 5/8" BOP

3. Pressure Control Equipment: BOPE will be installed on the 13 3/8" and 9 5/8" casing and 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	0-550'	550'
12 1/4"	9 5/8"	36#	J-55	ST&C	0-3300'	3300'
8 3/4"	5 1/2"	17#	HCP-110	LT&C	0-13236'	13236'

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

B. CEMENTING PROGRAM:
Surface casing: 250 sacks C Lite (YLD 2.00 WT.12.50) tail in with 200 sacks Class (YLD1.3WT 14.8). TOC-Surface.

Intermediate Casing: 910 sacks C Lite (YLD 2.00 WT 12.50); tail in with 200 sacks Class C (YLD 1.34 WT. 14.80) TOC-Surface

Production Casing: Cement to be done in two stages with stage tool at approx. 4300'

Stage 1 from 4300'-13236'; cement with 2100 sacks Pecos Valley Lite (YLD 1.83 WT. 13.0). TOC-4300

Stage 2 from 2800'-4300'; cement with 375 sacks Pecos Valley Lite (YLD 1.32 WT 14.80) TOC- 2800'.

Well will be drilled vertically to 8343'. Well will be kicked off at approximately 8343' and directionally drilled at 12 degrees per 100' with an 8 3/4" hole to 9100' MD (8820' TVD). If hole conditions dictate, 7" casing will be run and cemented. Hole will then be reduced to 6 1/8"and drilled to 13236' MD (8820' TVD) where 4 1/2" casing will be set and cemented. If 7" is not ran, then hole will be reduced to 7 7/8" and drilled to 13236 MD (8820' TVD where 5 1/2" casing will be set and cemented. Penetration point of producing zone will be encountered at 2070' FSL & 807" FWL, Section 8-18S-31E. Deepest TVD is 8820' in the lateral.

5. Mud Program and Auxiliary Equipment:

Interval	Type	Weight	Viscosity	Fluid Loss
0-550'	Fresh Water	8.6-9.2	35-40	N/C
550'-3300'	Brine Water	10.0-10.2	28	N/C
3300'-8343'	Cut Brine	8.7-9.2	28-29	N/C
8343'-13236'	Cut Brine (lateral)	8.8-9.0	28-32	<10-12

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. Mud will be checked hourly by rig personnel.

6. EVALUATION PROGRAM: See COA

Samples: 10 samples out from under surface casing.
Logging: Platform Express/Hals/Sonic,CMR.
Coring: As warranted.
DST's: As warranted.

7. Abnormal Conditions, Bottom hole pressure and potential hazards:
Anticipated BHP:

From:	0	TO:	550'	Anticipated Max. BHP:	263	PSI
From:	550'	TO:	3300'	Anticipated Max. BHP:	1750	PSI
From:	3300'	TO:	8820	Anticipated Max. BHP:	4128	PSI

No abnormal pressures or temperatures are anticipated.

Lost Circulation Zones Anticipated: None.

H2S Zones Anticipated: None

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 15 days.

Domino AOJ Federal Com. #10H

Contingency Casing Design

If hole conditions dictate, 7" casing will be set at 9,100' MD (8,820' TVD). A 6 1/8" hole will then be drilled to 13,236' MD (8,820' TVD) where 4 1/2" casing will be set and cemented with one stage up to dv tool. After completion procedures, the 4 1/2" casing will be cut and pulled at 8200'.

2nd Intermediate

0 ft to 800 ft				Make up Torque ft-lbs			Total ft = 800
O.D.	Weight	Grade	Threads	opt.	min.	mx.	
7 inches	26 #/ft	J-55	LT&C	3670	2750	4590	
Collapse Resistance	Internal Yield	Joint Strength		Body Yield		Drift	
4,320 psi	4,980 psi	367 ,000 #		415 ,000 #		6.151	

800 ft to 5,700 ft				Make up Torque ft-lbs			Total ft = 4,900
O.D.	Weight	Grade	Threads	opt.	min.	mx.	
7 inches	23 #/ft	J-55	LT&C	3130	2350	3910	
Collapse Resistance	Internal Yield	Joint Strength		Body Yield		Drift	
3,270	4,360 psi	313 ,000 #		366 ,000 #		6.25	

5,700 ft to 8,000 ft				Make up Torque ft-lbs			Total ft = 2,300
O.D.	Weight	Grade	Threads	opt.	min.	mx.	
7 inches	26 #/ft	J-55	LT&C	3670	2750	4590	
Collapse Resistance	Internal Yield	Joint Strength		Body Yield		Drift	
4,320 psi	4,980 psi	367 ,000 #		415 ,000 #		6.151	

8,000 ft to 9,100 ft				Make up Torque ft-lbs			Total ft = 1,100
O.D.	Weight	Grade	Threads	opt.	min.	mx.	
7 inches	26 #/ft	L-80	LT&C	5110	3830	6390	
Collapse Resistance	Internal Yield	Joint Strength		Body Yield		Drift	
5,410 psi	7,240 psi	511 ,000 #		604 ,000 #		6.151	

DV tool placed at 4300'.
Stage I: Cemented w/1025sx PVL (YLD 1.41 Wt 13) TOC= 4300'
Stage II: Lead w/625sx Lite Crete (YLD 2.78 Wt 9.9), tail w/125sx PVL (YLD 1.41 Wt 13) TOC= 2800'

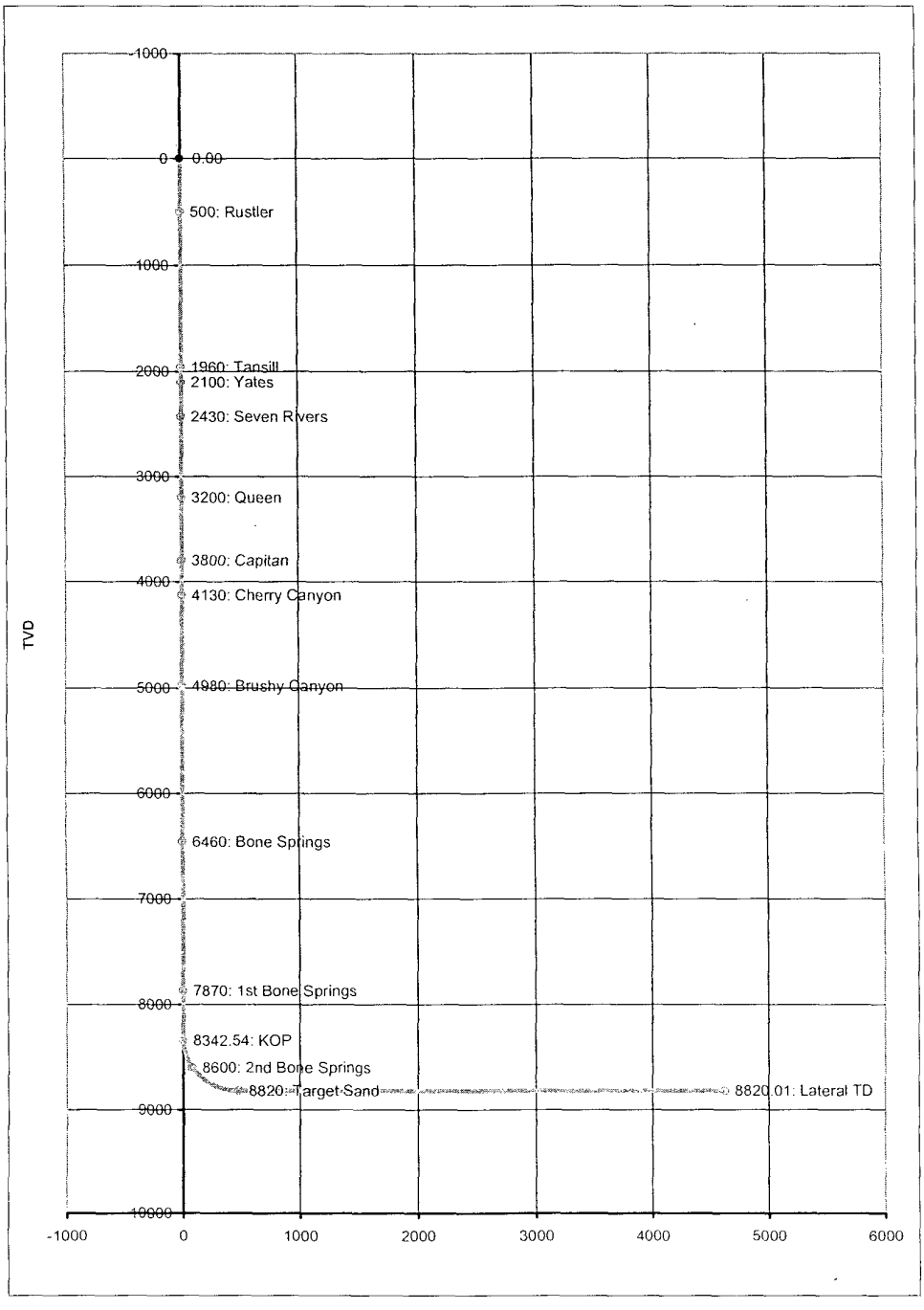
Production

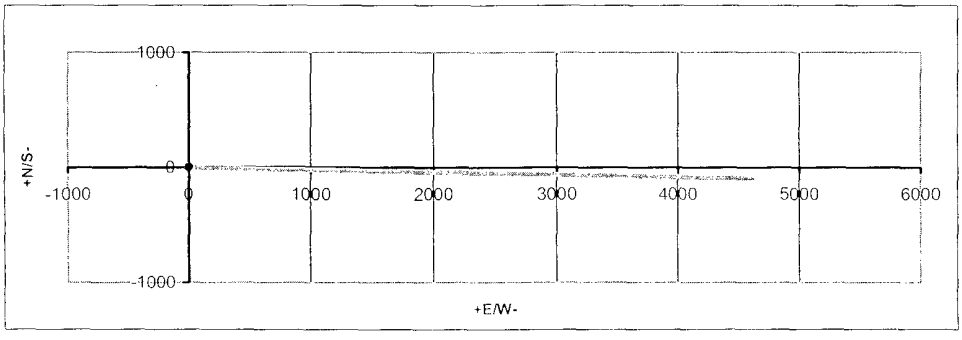
0 ft to 13,236 ft				Make up Torque ft-lbs			Total ft = 13,236
O.D.	Weight	Grade	Threads	opt.	min.	mx.	
4.5 inches	11.6 #/ft	HCP-110	LT&C	3020	2270	3780	
Collapse Resistance	Internal Yield	Joint Strength		Body Yield		Drift	
8,650 psi	10,690 psi	279 ,000 #		367 ,000 #		3.875	

DV tool placed at approx. 8200' and cemented with one stage up to dv tool. After completion procedures, the 4 1/2" casing will be cut and pulled at 8200'.
Cemented w/525sx PVL (YLD 1.83 Wt 13) TOC= 8200'

Co: Yates Petroleum Corporation	Units: Feet, °, 100ft	VS Az: 91.24	Tgt TVD: 8820.00
Drillers: 0	Elevation:	Tgt Radius: 0.00	Tgt MD: 0.00
Well Name: Domino AOJ Federal Com. #10H	Northing:	Tgt N/S: -100.00	Tgt Displ.: 0.00
Location: Sect. 9, 19S-31E	Easting:	Tgt E/W: 4620.00	Method: Minimum Curvature

No.	MD	CL	Inc.	Azi.	TVD	VS	+N/S-	+E/W-	BR	WR	DLS	Comments
0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00				
1	500.00	500.00	0.00	0.00	500.00	0.00	0.00	0.00	0.00	0.00	0.00	Rustler
2	1960.00	1460.00	0.00	0.00	1960.00	0.00	0.00	0.00	0.00	0.00	0.00	Tansill
3	2100.00	140.00	0.00	0.00	2100.00	0.00	0.00	0.00	0.00	0.00	0.00	Yates
4	2430.00	330.00	0.00	0.00	2430.00	0.00	0.00	0.00	0.00	0.00	0.00	Seven Rivers
5	3200.00	770.00	0.00	0.00	3200.00	0.00	0.00	0.00	0.00	0.00	0.00	Queen
6	3800.00	600.00	0.00	0.00	3800.00	0.00	0.00	0.00	0.00	0.00	0.00	Capitan
7	4130.00	330.00	0.00	0.00	4130.00	0.00	0.00	0.00	0.00	0.00	0.00	Cherry Canyon
8	4980.00	850.00	0.00	0.00	4980.00	0.00	0.00	0.00	0.00	0.00	0.00	Brushy Canyon
9	6460.00	1480.00	0.00	0.00	6460.00	0.00	0.01	0.00	0.00	0.00	0.00	Bone Springs
10	7870.00	1410.00	0.00	0.00	7870.00	0.00	0.01	0.00	0.00	0.00	0.00	1st Bone Springs
11	8342.54	8342.54	0.00	91.24	8342.54	0.00	0.01	0.00	0.00	1.09	0.00	KOP
12	8400.00	57.46	6.90	91.24	8399.86	3.45	-0.07	3.45	12.00	0.00	12.00	
13	8500.00	100.00	18.90	91.24	8497.16	25.73	-0.55	25.72	12.00	0.00	12.00	
14	8600.00	100.00	30.90	91.24	8587.70	67.75	-1.46	67.73	12.00	0.00	12.00	
15	8614.46	271.93	32.63	91.24	8600.00	75.36	-1.62	75.35	12.00	0.00	12.00	2nd Bone Springs
16	8700.00	85.54	42.90	91.24	8667.53	127.67	-2.76	127.65	12.00	0.00	12.00	
17	8800.00	100.00	54.90	91.24	8733.15	202.89	-4.38	202.84	12.00	0.00	12.00	
18	8900.00	100.00	66.90	91.24	8781.71	290.10	-6.27	290.03	12.00	0.00	12.00	
19	9000.00	100.00	78.90	91.24	8811.06	385.50	-8.34	385.41	12.00	0.00	12.00	
20	9092.53	750.00	90.00	91.24	8820.00	477.46	-10.32	477.35	12.00	0.00	12.00	Target Sand
21	13236.15	4143.62	90.00	91.24	8820.01	4621.08	-100.00	4620.00	0.00	0.00	0.00	Lateral TD


TVD
-1000
0
1000
2000
3000
4000
5000
6000
0.00
500: Rustler
1960: Tansill
2100: Yates
2430: Seven Rivers
3200: Queen
3800: Capitan
4130: Cherry Canyon
4980: Brushy Canyon
6460: Bone Springs
7870: 1st Bone Springs
8342.54: KOP
8600: 2nd Bone Springs
8820: Target Sand
8820.01: Lateral TD


+N/S-
1000
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-1000
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2000
3000
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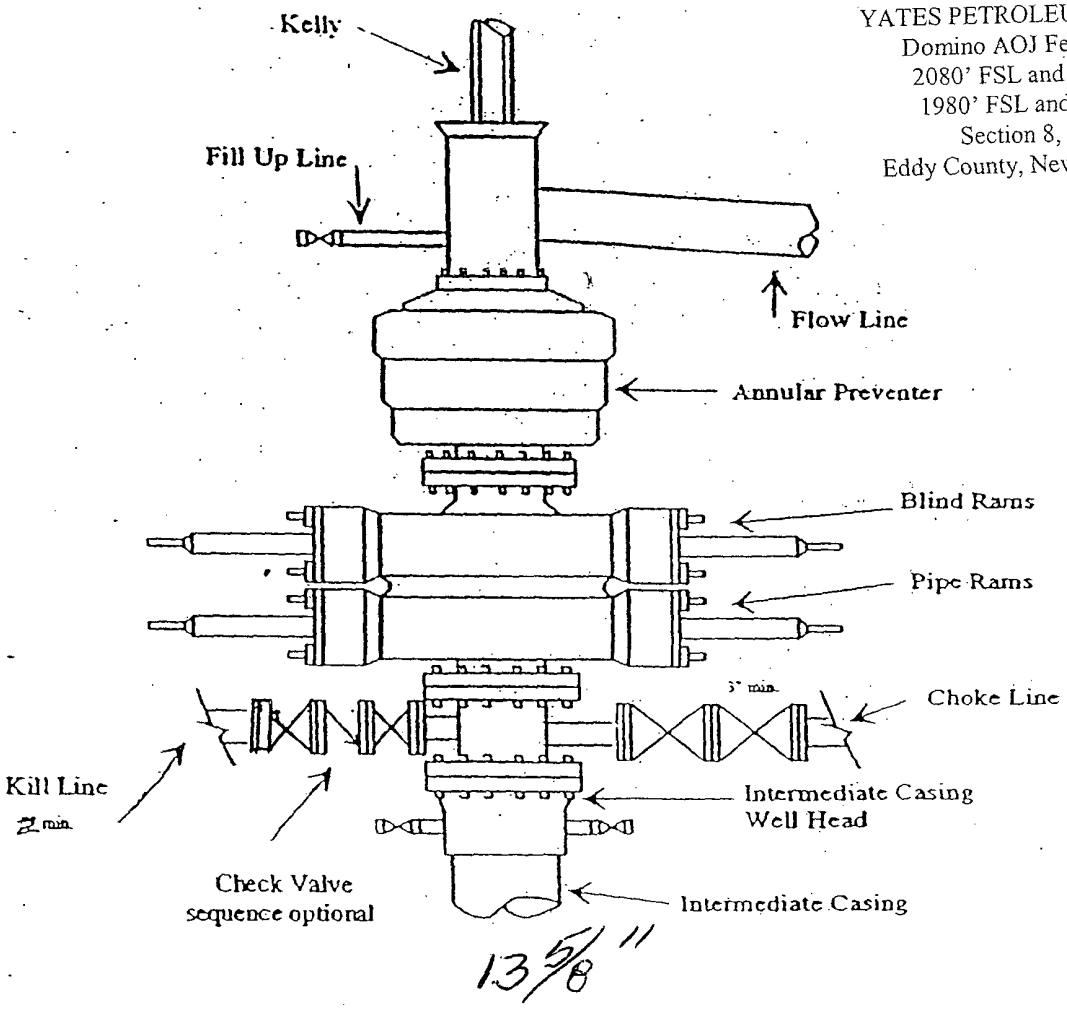
Yates Petroleum Corporation

BOP-3

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

YATES PETROLEUM CORPORATION
Domino AOJ Federal Com. #10H
2080' FSL and 330' FWL SHL
1980' FSL and 330' FEL BHL
Section 8, T19S–R31E
Eddy County, New Mexico Exhibit C



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