

Form 3160-3
(August 2008)

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

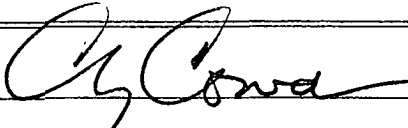
FORM APPROVED
OMB NO. 1004-0137
Expires: July 31, 2010

1a. Type of Work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No NM-82902
1b. Type of Well: <input checked="" type="checkbox"/> Oil Well <input 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 N/A
2. Name of Operator Yates Petroleum Corporation (025575)		7. If Unit or CA Agreement, Name and No. N/A
3a. Address 105 South Fourth Street, Artesia, NM 88210	3b. Phone No. (include area code) 575-748-1471	8. Lease Name and Well No. Domino AOJ Federal #11H (22903)
4. Location of well (Report location clearly and in accordance with any State requirements. *) At surface 1650' FNL and 330' FWL, Surface Hole (E) 330' FEL, Bottom Hole 1980' FNL and At proposed prod. zone same as above		9. API Well No. 30-015-38384
14. Distance in miles and direction from the nearest town or post office* 15 miles southeast of Loco Hills, New Mexico		10. Field and Pool, or Exploratory HACKBERRY, NORTH (97096) Undesignated Bone Spring
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drlg. unit line, if any) 330'		11. Sec., T., R., M., or Blk. And Survey or Area Section 8, T19S-R31E
16. No. of acres in lease 920.00	17. Spacing Unit dedicated to this well S2N2	12. County or Parish Eddy
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 1 mile	19. Proposed Depth 8800 TVD 13215 13227 TVD MD	13. State NM
20. BLM/ BIA Bond No. on file NATIONWIDE BOND #NMB000434	21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3491' (GL)	22. Aproximate date work will start* ASAP
23. Estimated duration 60 days		24. Attachments

RECEIVED
DEC 27 2010
NMOCD ARTESIA

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

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

25. Signature 	Cy Cowan	Date 11/5/2010
Title Land Regulatory Agent		
Approved By (Signature) /s/ Don Peterson	Name (Printed/ Typed) CARLSBAD FIELD OFFICE	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 co 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.

EE ATTACHED FOR
CONDITIONS OF APPROVAL

Capitan Controlled Water Basin

APPROVAL SUBJECT TO
GENERAL REQUIREMENTS
AND SPECIAL STIPULATIONS
ATTACHED

YATES PETROLEUM CORPORATION
Domino AOJ Federal #11H
 1650' FNL and 330' FWL, Surface Hole
 1980' FNL and 330' FEL, Bottom Hole
 Section 8, T19S-R31E
 Eddy County, New Mexico

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

Rustler	490'	Cherry Canyon	4,120'	
Tansill	1,950'	Brushy Canyon	4,970'	
Yates	2,090'	Bone Springs	6,450'	
Seven Rivers	2,420'	1st Bone Spring	7,860'	
Queen	3,190'	2 nd Bone Spring	8,580'	8,594'
Capitan	3,790'	TD (Lateral Hole)	8,800'	13,227'

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

Water: 200'
 Oil or Gas: Below

Queen	3,190' Gas
Brushy Canyon	4,970' Oil
Bone Spring	6,450' Oil
1 st Bone Spring	7,860' Oil
2 nd Bone Spring	8,580' Oil

Min 13 5/8" required.

3. Pressure Control Equipment: 3000 psi BOP nipples up on 13 3/8" and 9 5/8" casing, 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
17 1/2"	13 3/8"	48#	J-55	ST&C	0-500' <i>see call 530</i>
12 1/4"	9 5/8"	36#	J-55	LT&C	0-3,300'
8 3/4"	5 1/2"	17#	HCP-110	LT&C	0-13,227' <i>13215</i>

Minimum Casing Design Factors: Collapse 1.125, Burst 1.0, Tensile Strength 1.8 *1.6 1/10/11*

B. CEMENTING PROGRAM:

SURFACE CASING: Lead w/250 sx C Lite (YLD 2.0 WT 12.5) tail w/200sx Class C (YLD 1.34 WT 14.8).

INTERMEDIATE: Lead w/910sx C Lite (YLD 2.0 WT 12.5) tail w/200sx Class C (YLD 1.34 WT 14.8).

PRODUCTION CASING: Production cement to be done in two stages with stage tool at approximately 4300'.

Stage 1: 4300'-13227' cement w/2100sx Pecos Valley Lite (YLD 1.83 WT 13) TOC=4300'. *13215*

Stage 2: 2800'-4300' lead w/375sx C Neat (YLD 1.72 WT 13.5) tail w/100sx Class C (YLD 1.32 WT 14.8) TOC=2800'.

5. MUD PROGRAM AND AUXILIARY EQUIPMENT:

Interval	Type	Weight	Viscosity	Fluid Loss
0-500' <i>550</i>	Fresh Water	8.6 – 9.2	35-40	N/C
500'-3300'	Brine Water	10 – 10.2	28	N/C
3300'-8323'	Cut Brine	8.7 – 9.2	28-29	N/C
8323'-13227' <i>13215</i>	Cut Brine (lateral)	8.8-9	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.

New well will be drilled vertically to 8323'. Well will then be kicked off at approximately 8323' and directionally drilled at 12 degrees per 100' with a 8 3/4" hole to 9100' MD (8800' TVD). If hole conditions dictate, 7" casing will be run and cemented. Hole will then be reduced to 6 1/8" and drilled to 13227' MD (8800' TVD) where 4 1/2" casing will be sent and cemented. If 7" is not run, then hole will be reduced to 7 7/8" and drilled to 13227' MD (8800' TVD) where 5 1/2" casing will be run and cemented. Penetration point of producing zone will be encountered at 1684' FNL and 806' FWL, Section 8, T19S-R31E. Deepest TVD in the well is 8800' in the lateral.

6. EVALUATION PROGRAM:

See COF

Samples: 10' Samples—Surface to TD.

Logging: Plat form Express/Hals/CMR

Coring: None Anticipated

DST's: None Anticipated

Mudlogger: Start out from under surface casing.

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: 4118'	Anticipated Max BHP:	4118 PSI

Domino AOJ Federal #11H

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Abnormal Pressures Anticipated: None

Lost Circulation Zones Anticipated: None.

H2S Zones Anticipated: None Anticipated

Maximum Bottom Hole Temperature: 160 F

8. ANTICIPATED STARTING DATE:

Plans are to drill this well as soon as possible after receiving approval. It should take approximately 60 days to drill the well with completion taking another 30 days.

Domino AOJ Federal #11H

Contingency Casing Design

If hole conditions dictate, 7" casing will be set at 9,100' MD (8,800' TVD). A 6 1/8" hole will then be drilled to 13,215' MD (8,800' 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 psi	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

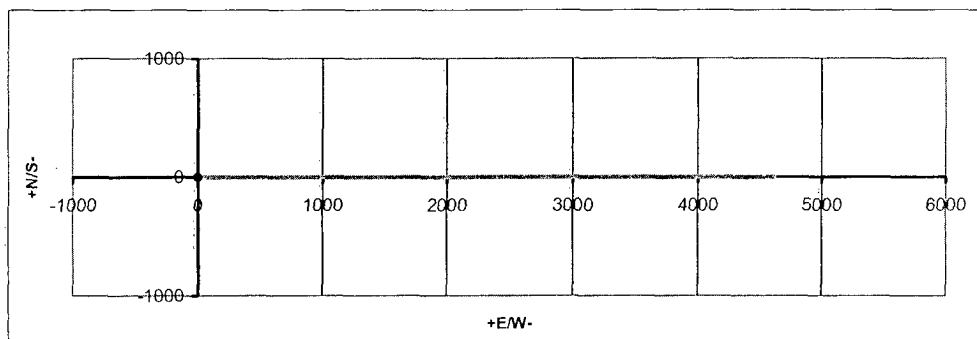
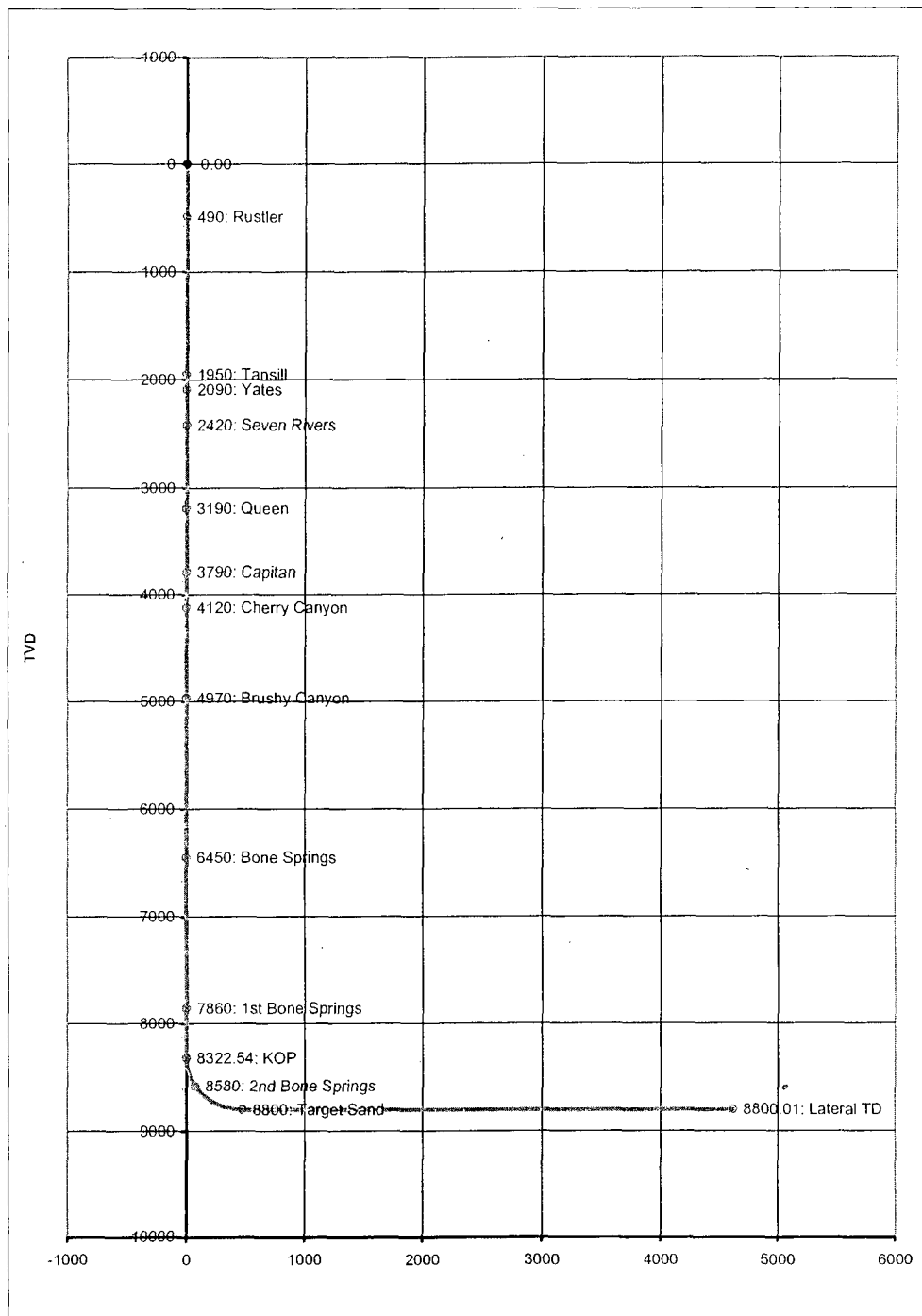
0 ft to 13,215 ft				Make up Torque ft-lbs			Total ft = 13,215
O.D.	Weight	Grade	Threads	opt.	min.	mx.	
4.5 inches	11.6 #/ft	HCP-110	LT&C	3020	2270	3780	
Collapse Resistance	Internal Yield	Joint Strength		Body Yield		Drift	
8,650 psi	10,690 psi	279,000 #		367,000 #		3.875	

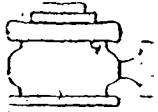
DV tool placed at approx. 8200' and cemented with one stage up to dv tool. After completion procedures, the 4 1/2" casing will be cut and pulled at 8200'.

Cemented w/525sx PVL (YLD 1.83 Wt 13) TOC= 8200'

Co: Yates Petroleum Corporation		Units: Feet, °, "/100ft		VS Az: 90.00	Tgt TVD: 8800.00
Drillers: 0		Elevation:		Tgt Radius: 0.00	Tgt MD: 0.00
Well Name: Domino AOJ Federal #11H		Northing:		Tgt N/S: 0.00	Tgt Displ.: 0.00
Location: Sect. 9, 19S-31E		Easting:		Tgt EW: 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	490.00	490.00	0.00	0.00	490.00	0.00	0.00	0.00	0.00	0.00	0.00	Rustler
2	1950.00	1460.00	0.00	0.00	1950.00	0.00	0.00	0.00	0.00	0.00	0.00	Tansill
3	2090.00	140.00	0.00	0.00	2090.00	0.00	0.00	0.00	0.00	0.00	0.00	Yates
4	2420.00	330.00	0.00	0.00	2420.00	0.00	0.00	0.00	0.00	0.00	0.00	Seven Rivers
5	3190.00	770.00	0.00	0.00	3190.00	0.00	0.00	0.00	0.00	0.00	0.00	Queen
6	3790.00	600.00	0.00	0.00	3790.00	0.00	0.00	0.00	0.00	0.00	0.00	Capitan
7	4120.00	330.00	0.00	0.00	4120.00	0.00	0.00	0.00	0.00	0.00	0.00	Cherry Canyon
8	4970.00	850.00	0.00	0.00	4970.00	0.00	0.00	0.00	0.00	0.00	0.00	Brushy Canyon
9	6450.00	1480.00	0.00	0.00	6450.00	0.00	0.01	0.00	0.00	0.00	0.00	Bone Springs
10	7860.00	1410.00	0.00	0.00	7860.00	0.00	0.01	0.00	0.00	0.00	0.00	1st Bone Springs
11	8322.54	8322.54	0.00	90.00	8322.54	0.00	0.01	0.00	0.00	1.08	0.00	KOP
12	8400.00	77.46	9.30	90.00	8399.66	6.27	0.01	6.27	12.00	0.00	12.00	
13	8500.00	100.00	21.30	90.00	8495.94	32.60	0.01	32.60	12.00	0.00	12.00	
14	8594.46	271.93	32.63	90.00	8580.00	75.36	0.01	75.36	12.00	0.00	12.00	2nd Bone Springs
15	8600.00	5.54	33.30	90.00	8584.65	78.38	0.01	78.38	12.01	0.00	12.01	
16	8700.00	100.00	45.30	90.00	8661.89	141.59	0.01	141.59	12.00	0.00	12.00	
17	8800.00	100.00	57.30	90.00	8724.31	219.49	0.01	219.49	12.00	0.00	12.00	
18	8900.00	100.00	69.30	90.00	8769.17	308.66	0.01	308.66	12.00	0.00	12.00	
19	9000.00	100.00	81.30	90.00	8794.50	405.21	0.01	405.21	12.00	0.00	12.00	
20	9072.53	750.00	90.00	90.00	8800.00	477.46	0.01	477.46	12.00	0.00	12.00	Target Sand
21	13215.07	4142.54	90.00	90.00	8800.01	4620.00	0.00	4620.00	0.00	0.00	0.00	Lateral TD





Yates Petroleum Corporation

BOP-3

Typical 3,000 psi Pressure System
Schematic

Annular with Double Ram Preventer Stack

YATES PETROLEUM CORPORATION

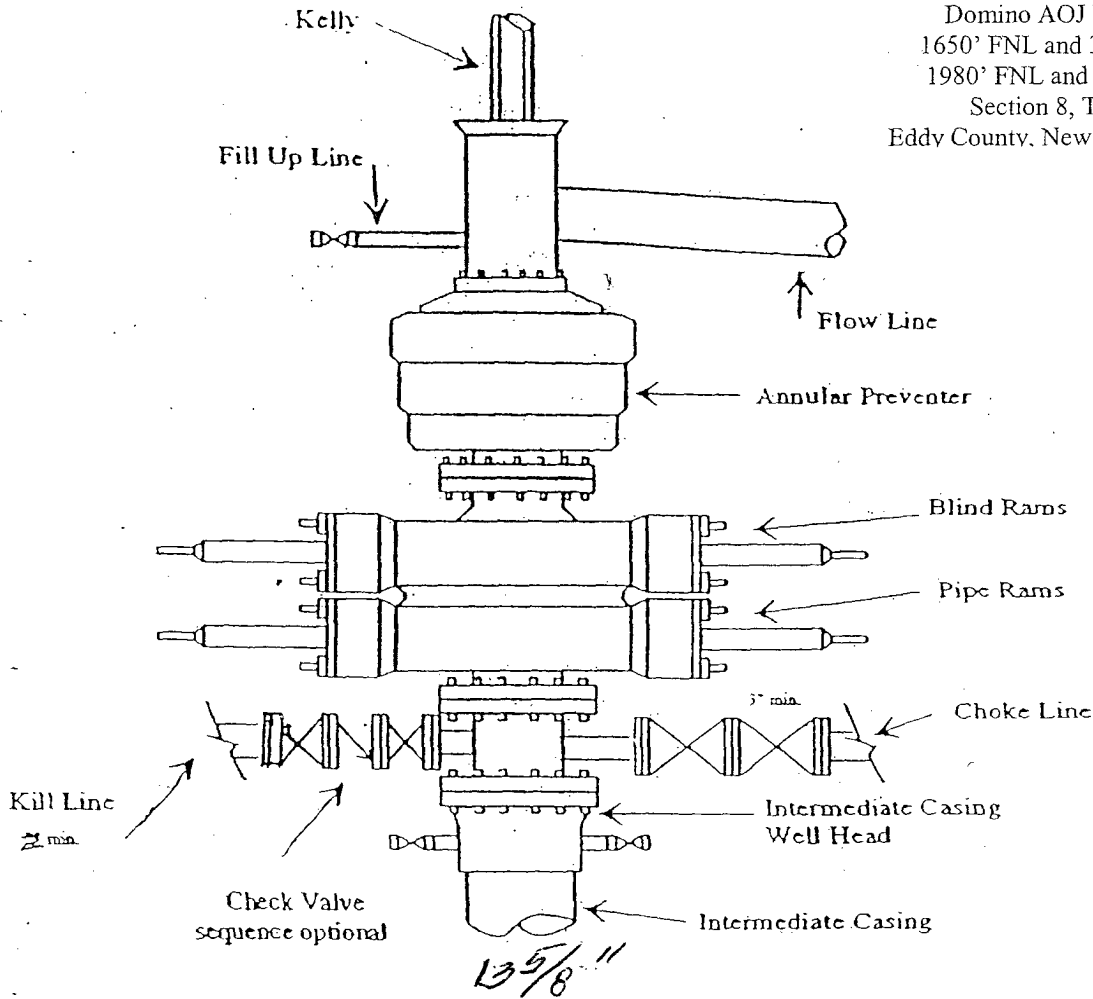
Domino AOJ Federal #11H

1650' FNL and 330' FWL SHL

1980' FNL 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 minimum features

