

12-652

OCD-HOBBS
HOBBS OCDForm 3160-3
(March 2012)

AUG 09 2012

FORM APPROVED
OMB No. 1004-0137
Expires October 31, 2014UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

RECEIVED

APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. NM-108968/VB-1178	
1b. Type of Well: <input checked="" type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input type="checkbox"/> Other <input checked="" 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 S. Fourth Street Artesia, NM 88210		8. Lease Name and Well No. Bombay BSB Federal Com #1H-39393	
3b. Phone No. (include area code) 575-748-4120		9. API Well No. 30-025-40718	
4. Location of Well (Report location clearly and in accordance with any State requirements.)* At surface 2310' FNL & 430' FEL, Sec. 32, T-24S & R-32E At proposed prod. zone 2310' FSL & 430', Sec. 29, T-24S & R-32E		10. Field and Pool, or Exploratory Delaware/Basal Sand/Wildcat 606525320m; Bone Spring	
11. Sec., T. R. M. or Blk. and Survey or Area SHL: Sec. 32, T-24S & R-32E BHL: Sec. 29, T-24S & R-32E		12. County or Parish Lea	
14. Distance in miles and direction from nearest town or post office* 38 miles		13. State NM	
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 430'	16. No. of acres in lease NM-108968 is 80 VB-1178 is 320	17. Spacing Unit dedicated to this well E2NE in Sec. 32 E2SE in Sec. 29	
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. None	19. Proposed Depth 8470' TVD 12884' MD	20. BLM/BIA Bond No. on file NATIONWIDE BOND #NMB000434	
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3496'	22. Approximate date work will start* 06/01/2012	23. Estimated duration 30 days	

24. Attachments

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

- | | |
|--|---|
| 1. Well plat certified by a registered surveyor. | 4. Bond to cover the operations unless covered by an 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 must be filed with the appropriate Forest Service Office). | 6. Such other site specific information and/or plans as may be required by the BLM. |

25. Signature <i>[Signature]</i>	Name (Printed/Typed) Travis Hahn	Date 04/25/2012
Title Land Regulatory Agent		
Approved by (Signature) /s/ Don Peterson	Name (Printed/Typed) /s/ Don Peterson	Date AUG - 3 2012
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 conduct 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 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.

(Continued on page 2)

*(Instructions on page 2)

Carlsbad Controlled Water Basin

Approval Subject to General Requirements
& Special Stipulations Attached*[Signature]* 08/10/12SEE ATTACHED FOR
CONDITIONS OF APPROVAL

AUG 13 2012

YATES PETROLEUM CORPORATION

Bombay BSB Federal Com #1H

2310' FNL & 430' FEL, Surface Hole, Section 32 –T24S-R32E

2310' FSL & 430' FEL, Bottom Hole, Section 29 –T24S-R32E

Lea County, New Mexico

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

Rustler	850'	Cherry Canyon	5600' Oil
Top of Salt	1020'	Brushy Canyon	7200'
Base of Salt	4270'	Brushy Canyon Marker	8578'
Bell Canyon	4690'	Basal Sand Target	8743' Oil
		Lateral TD	12884'

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

Water: Approx. 0' - 850'

Oil or Gas: Oil Zones: 5600', 8743'

3. Pressure Control Equipment: 3000 PSI BOPE with a 13.625" opening will be installed on the 13.375 casing and also on the 9.625" casing. Pressure tests to 3000 PSI and held for 30 minutes 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.

4. 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.

1. THE PROPOSED CASING AND CEMENTING PROGRAM:

- A. Casing Program: (All New)

<u>Hole Size</u>	<u>Casing Size</u>	<u>Wt./Ft</u>	<u>Grade</u>	<u>Coupling</u>	<u>Interval</u>	<u>Length</u>
			H-40			
17 1/2"	13 3/8"	48#	Hybrid J-55	ST&C	0-875'	875'
12 1/4"	9 5/8"	40#	HCK-55	LT&C	0-100'	100'
12 1/4"	9 5/8"	36#	J-55	LT&C	100-3200'	3100'
12 1/4"	9 5/8"	40#	HCK-55	LT&C	3200-4650'	1450'
8 3/4"	5 1/2"	20#	P-110	LT&C	0-7950'	7950'
8 1/2"	5 1/2"	20#	P-110 Butress Thread		7950'-12884'	4894'

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

B. CEMENTING PROGRAM:

Surface Casing: Lead with 470 sacks of PozC 35:65:6 (YLD 2.00 WT.12.50). Tail with 200 sacks Class C + 2% CaCl₂ (WT 14.80, YLD 1.34). Casing designed with 100% excess. TOC-Surface

Intermediate Casing: Lead with 815 sacks of PozC 35:65:6 (YLD 2.00 WT 12.50). Tail with 200 sacks of Pecos Valley Lite (YLD 1.34 WT. 14.80), 30%CaCO₃, 3.2% Expansion additive, 2% Antifoam, .8% Retarder, 15 Fluid loss. Casing designed with 100% excess. TOC-Surface

Production Casing: Cement to be done in two stages.

Stage 1 from 7000'-12844': Lead with 290 sacks of PozC 35:65:6 (YLD 2.00 WT 12.50). Tail with 1000 sacks of Pecos Valley Lite (YLD 1.41 WT. 13.00), 30%CaCO₃, 3.2% Expansion additive, 2% Antifoam, .8% Retarder, 15 Fluid loss. Casing is designed with 35% excess. TOC-7000'

Stage 2 from 4150'-7000': Lead with 418 sacks of PozC 35:65:6 (YLD 2.00 WT 12.50). Tail with 100 sacks of Pecos Valley Lite (WT 13.00, YLD 1.41), 30%CaCO₃, 3.2% Expansion additive, 2% Antifoam, .8% Retarder, 15 Fluid loss. Casing is designed with 35% excess. TOC-4150'

Well will be drilled vertically depth to 7993'. Well will be kicked off at approximately 7993' and directionally drilled at 12 degrees per 100' with an 8.75" hole to 8743' MD (8470' TVD). Hole will then be reduced to 8.5" and drilled to 12884' MD (8470' TVD) where 5.5" casing will be set and cemented. Penetration point of producing zone will be encountered at 1833' FNL & 434' FEL, Section 32-24S-32E. Deepest TVD is 8470' in the lateral.

5. Mud Program and Auxiliary Equipment:

<u>Interval</u>	<u>Type</u>	<u>Weight</u>	<u>Viscosity</u>	<u>Fluid Loss</u>
0-875'	Fresh Water	8.6-9.2	32-34	N/C
875'-4650'	Brine Water	10.0-10.20	28-29	N/C
4650'-12884'	Cut Brine	8.8-9.2	28-32	N/C

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

6. Evaluation Program: *See COA*

Samples: 30' Samples to 4500', then 10' Samples from 4500' to TD.

Logging: Platform Hals, CMR

Coring: None

DST's: None

Mudlogging: Surface casing (875') to TD (12884' MD, 8470' TVD).

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

Anticipated BHP:

From: 0	TO: 875'	Anticipated Max. BHP:	418.6	PSI
From: 875'	TO: 4650'	Anticipated Max. BHP:	2466	PSI
From: 4650'	TO: 8470'	Anticipated Max. BHP:	4052	PSI

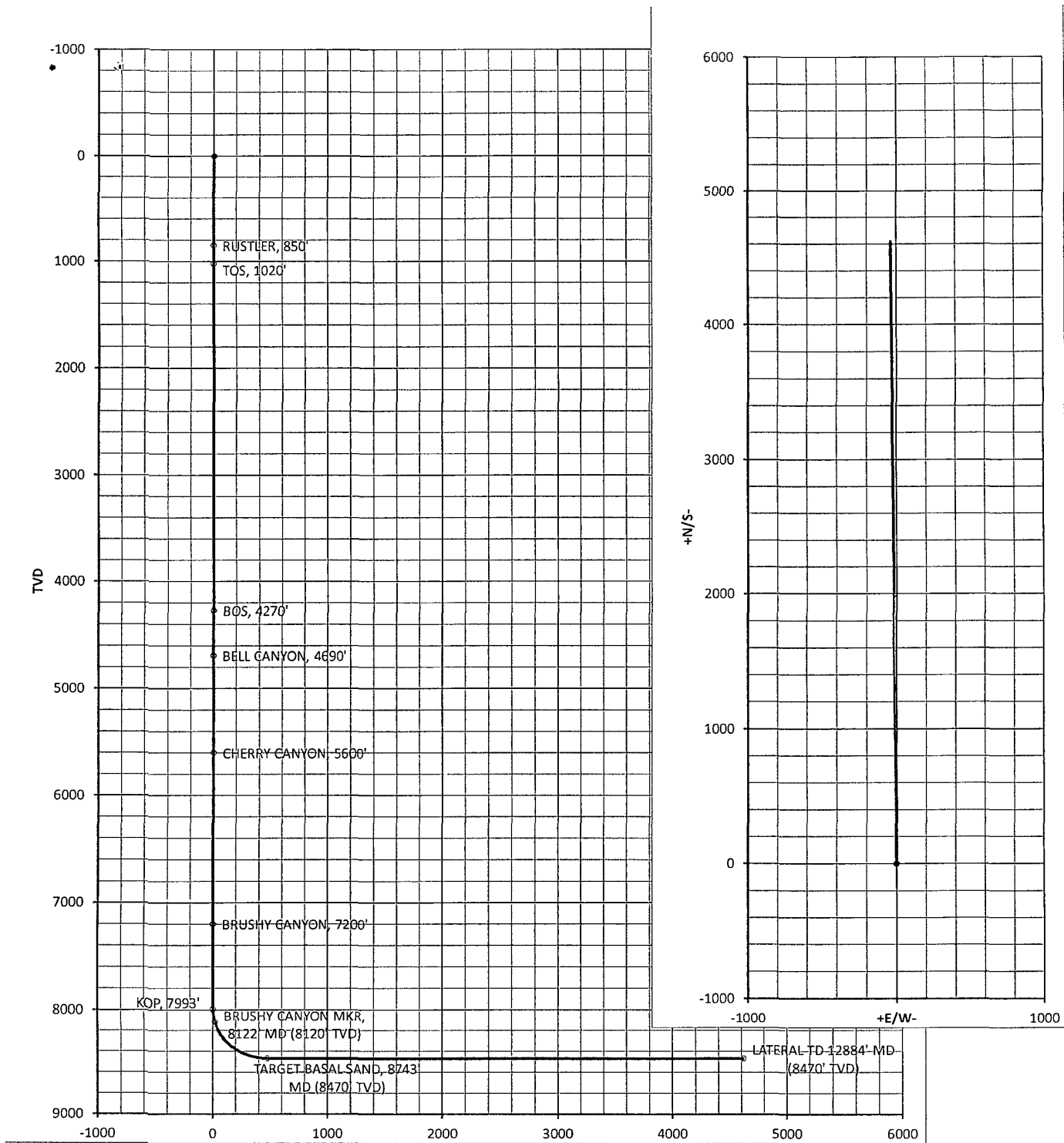
No abnormal pressures or temperatures are anticipated.
H2S is not anticipated

8. ANTICIPATED STARTING DATE:

Plans are to drill this well as soon as possible after receiving approval. It should take approximately 65 days to drill the well with completion taking another 30 days.

Bombay BSB Fed Com

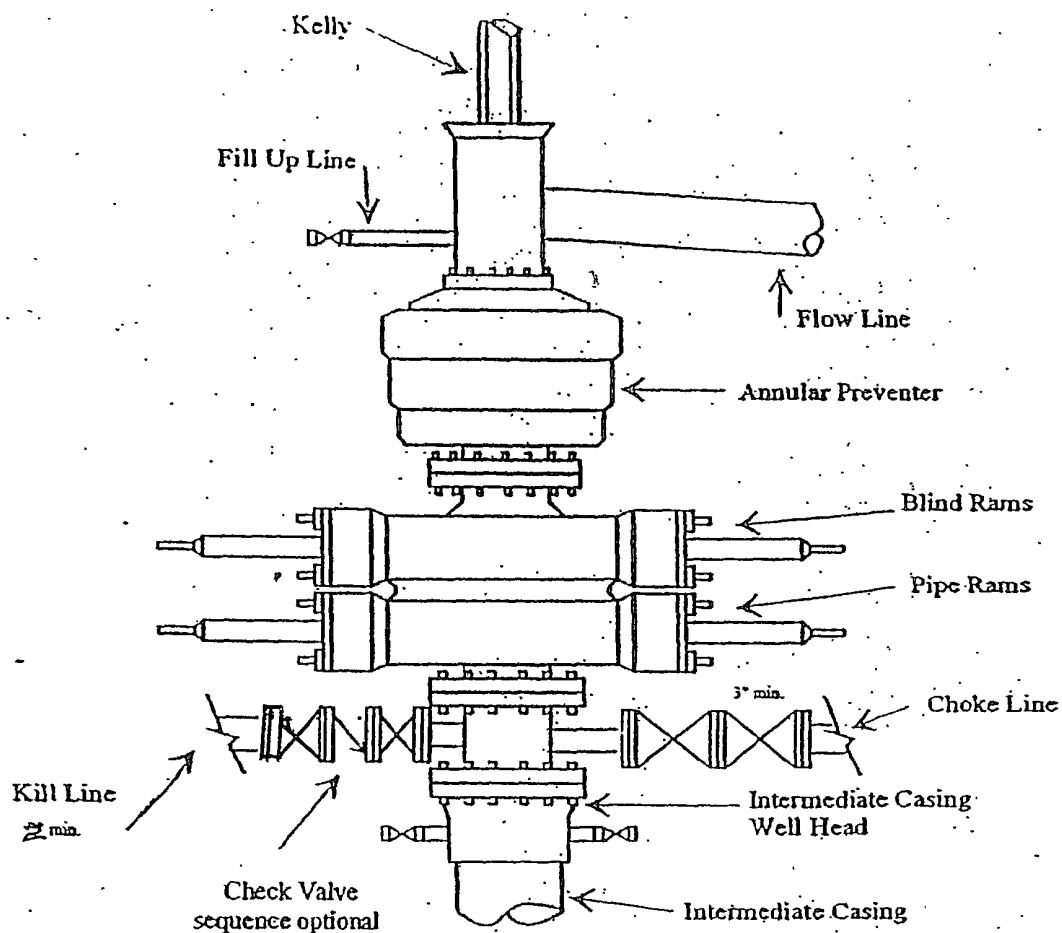
Co: Yates Petroleum Corporation			Units: Feet, °, 1100ft		VS Az: 359.55		Method: Minimum Curvature					
Drillers: 0			Elevation:		Map System: NAD83, St. Plane, Wyoming West							
Well Name: Bombay BSB Federal Com #1H			Northing:		Latitude:							
Location: Sec. 32, 24S-32E			Easting:		Longitude:							
Yates Petroleum Corporation: Bombay BSB Fed Com #1H												
No.	MD	CL	Incl	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	850.00	850.00	0.00	360.00	850.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00 RUSTLER, 850'
2	1020.00	170.00	0.00	360.00	1020.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00 TOS, 1020'
3	4270.00	3250.00	0.00	360.00	4270.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00 BOS, 4270'
4	4690.00	420.00	0.00	360.00	4690.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00 BELL CANYON, 4690'
5	5600.00	910.00	0.00	360.00	5600.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00 CHERRY CANYON, 5600'
6	7200.00	1600.00	0.00	360.00	7200.00	0.01	0.01	0.00	0.00	0.00	0.00	0.00 BRUSHY CANYON, 7200'
7	7992.54	792.54	0.00	359.55	7992.54	0.01	0.01	0.00	0.00	-0.01	0.00	0.00 KOP, 7993'
8	8000.00	7.46	0.90	359.55	8000.00	0.07	0.07	0.00	12.00	0.00	12.00	
9	8100.00	100.00	12.90	359.55	8099.09	12.05	12.05	-0.09	12.00	0.00	12.00	
10	8121.56	21.56	15.48	359.55	8120.00	17.34	17.33	-0.14	12.00	0.00	12.00	BRUSHY CANYON-MKR
11	8200.00	78.44	24.90	359.55	8193.53	44.38	44.38	-0.35	12.00	0.00	12.00	
12	8300.00	100.00	36.90	359.55	8279.19	95.63	95.63	-0.75	12.00	0.00	12.00	
13	8400.00	100.00	48.90	359.55	8352.31	163.57	163.57	-1.28	12.00	0.00	12.00	
14	8500.00	100.00	60.90	359.55	8409.71	245.24	245.23	-1.92	12.00	0.00	12.00	
15	8600.00	100.00	72.90	359.55	8448.88	337.05	337.04	-2.64	12.00	0.00	12.00	
16	8700.00	100.00	84.90	359.55	8468.10	435.00	434.98	-3.41	12.00	0.00	12.00	
17	8742.53	42.53	90.00	359.55	8470.00	477.47	477.46	-3.74	12.00	0.00	12.00	TARGET BASAL SAND, 1
18	12884.14	4141.61	90.00	359.55	8470.01	4619.08	4618.94	-36.20	0.00	0.00	0.00	LATERAL TD 12884' MD



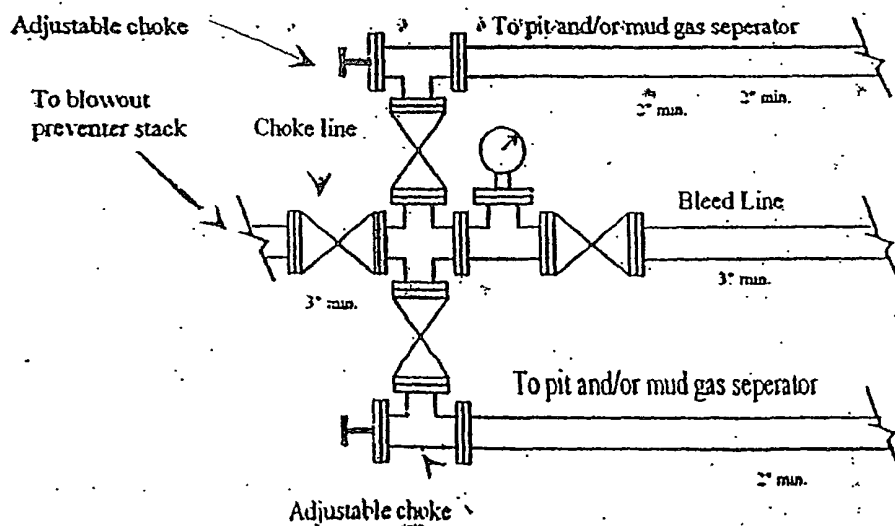


Yates Petroleum Corporation
 Typical 3,000 psi Pressure System
 Schematic
 Annular with Double Ram Preventer Stack

BOP-3

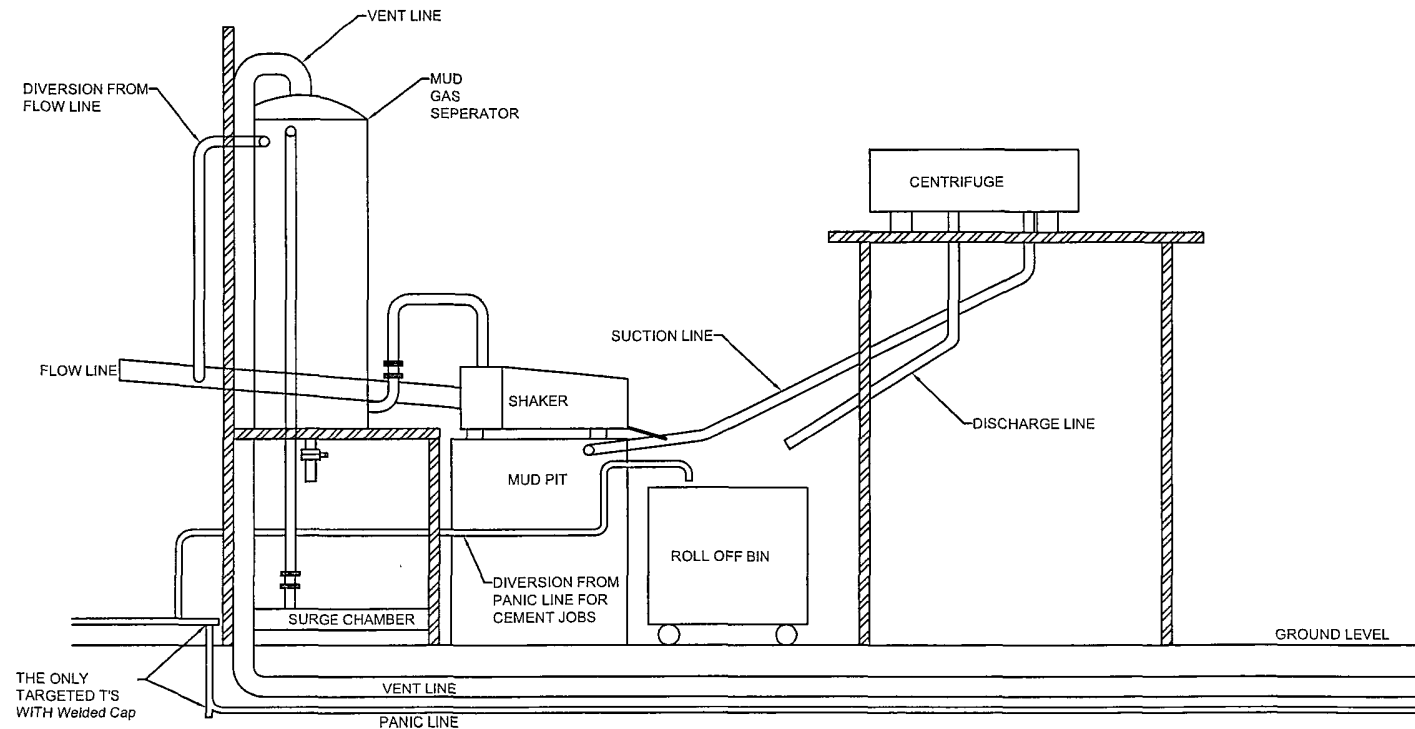


Typical 3,000 psi choke manifold assembly with at least these minimum features



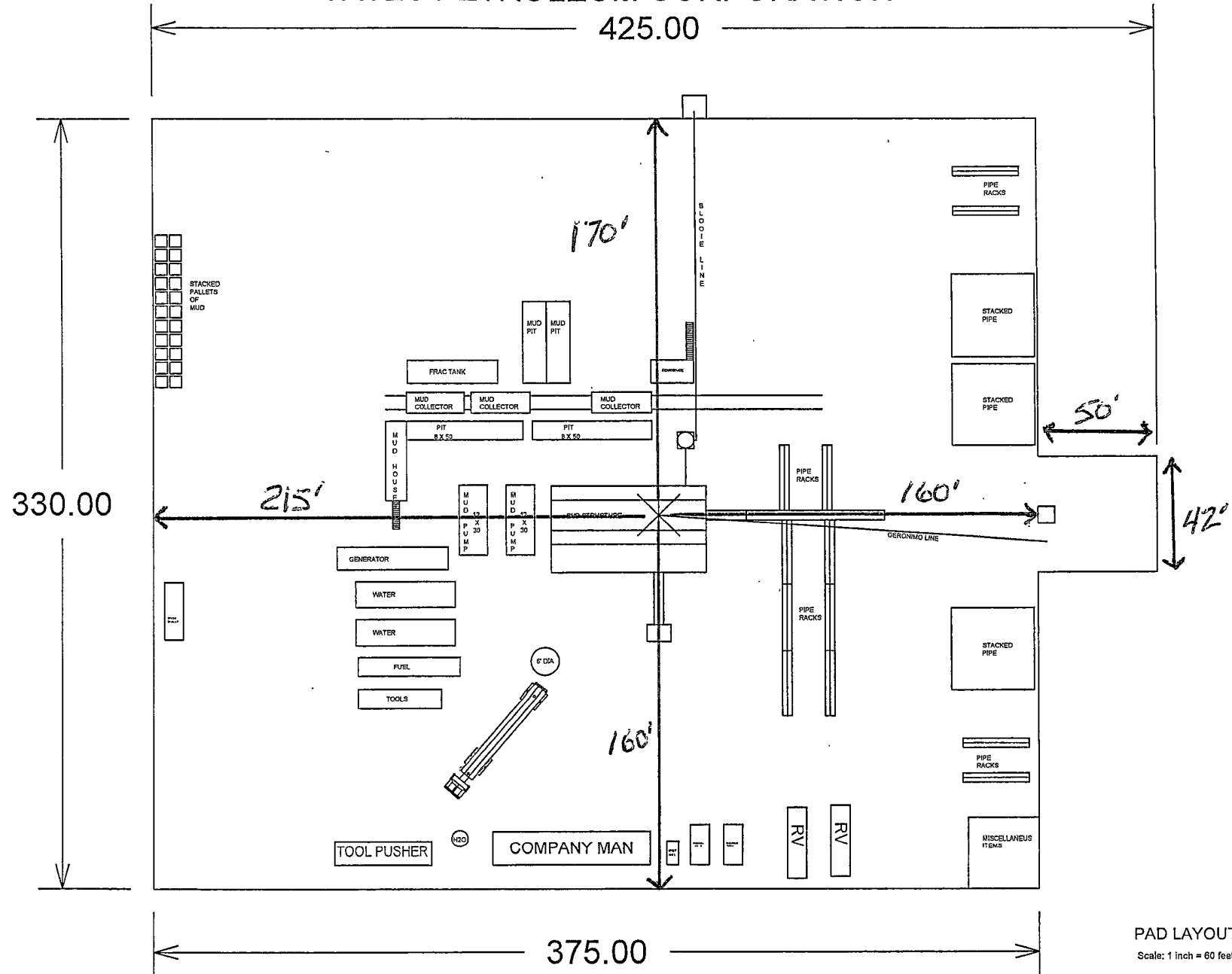
YATES PETROLEUM CORPORATION

Piping from Choke Manifold
to the Closed Loop Drilling Mud System



The flare discharge must be 100' from wellhead for non H2S wells and 150' from wellhead for wells expected to encounter H2S.

YATES PETROLEUM CORPORATION

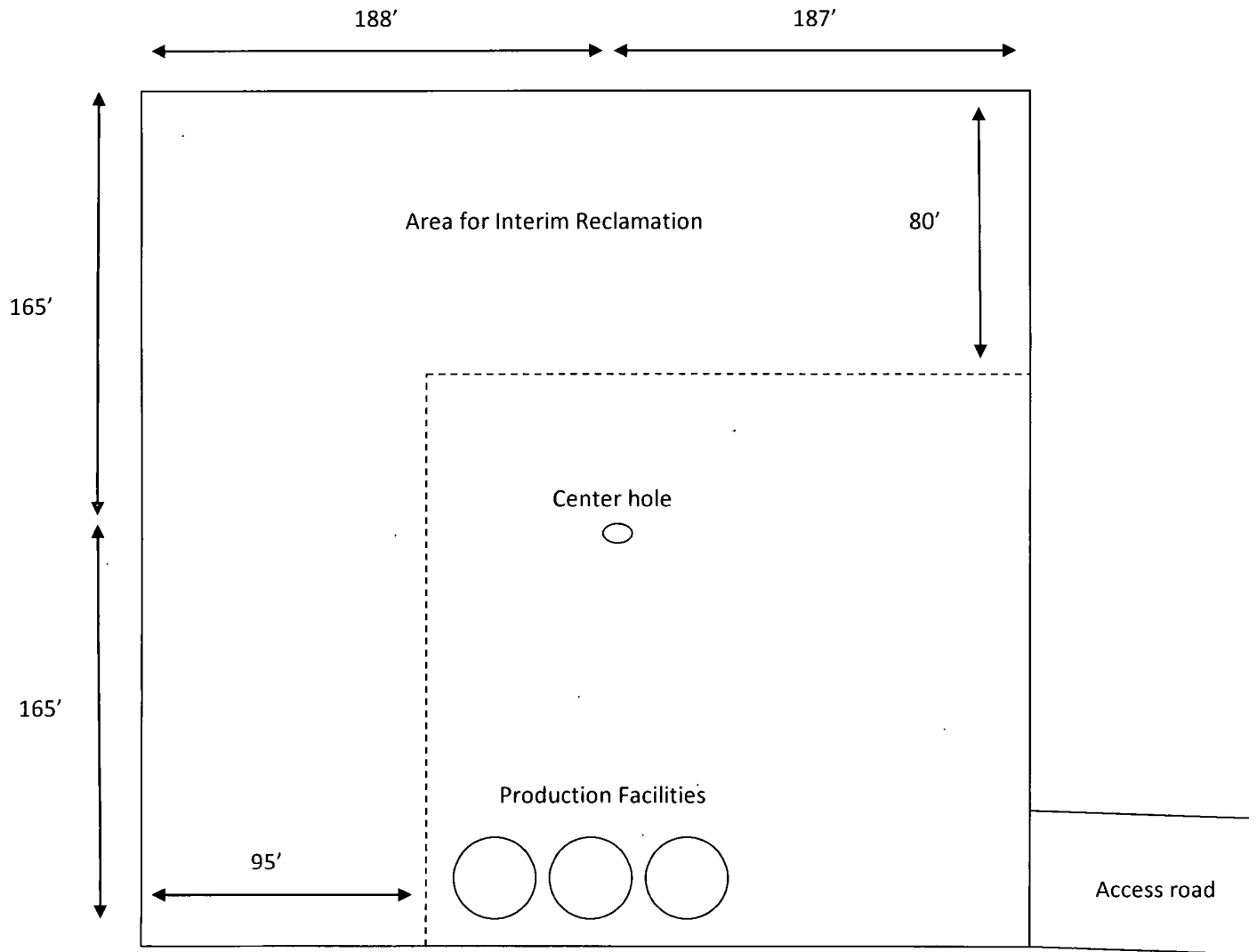


PAD LAYOUT

Scale: 1 inch = 60 feet

Bombay BSB Federal Com #1H
Interim Reclamation Well Pad Layout

North



Created 6/11/2012

added 6-11-12 JGF