

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

HOBBS OCD
OCD Hobbs
FEB 19 2013
RECEIVED

11-921
FORM APPROVED
OMB No. 1004-0137
Expires July 31, 2010

5. Lease Serial No. NM-59392	
6. If Indian, Allottee or Tribe Name	
7. If Unit or CA Agreement, Name and No.	
8. Lease Name and Well No. <12527> Lusk AHB Federal #17H	
9. API Well No. 30-025-41000	
3a. Address 105 S. Fourth St Artesia, NM 88210	3b. Phone No. (include area code) 575-748-4120
10. Field and Pool, or Exploratory Undesignated, 2nd Bone Spring <41442> IE	
11. Sec., T. R. M. or Blk. and Survey or Area Section 35 T19S-R32E	
12. County or Parish Lea	13. State NM
14. Distance in miles and direction from nearest town or post office* Approximately 37 miles to Carlsbad	
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 502'	16. No. of acres in lease 636.08
17. Spacing Unit dedicated to this well E2E2, 160 acres	
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 1800'	19. Proposed Depth 9851' TVD (Pilot hole) 14070' MD
20. BLM/BIA Bond No. on file NATIONWIDE BOND #NMB000434	
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3572' GL	22. Approximate date work will start* 01/16/2013
23. Estimated duration 30 days	

SECRETARY'S POTASH

<25575>

24. Attachments

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No. 1, must 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 an 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 	Name (Printed/Typed) Travis Hahn	Date 07/16/2012
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Title
Land Regulatory Agent

Approved by (Signature) 	Name (Printed/Typed) Aden L. Seidlitz	Date JAN 31 2013
Title STATE DIRECTOR	Office NM STATE 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)

Capitan Controlled Water Basin
*(Instructions on page 2)

KE
02/15/13

SEE ATTACHED FOR
CONDITIONS OF APPROVAL
FEB 19 2013

YATES PETROLEUM CORPORATION

Lusk AIB Federal #17H
 502' FNL & 1045' FEL Surface Hole Location
 330' FSL and 660' FEL Bottom Hole Location
 Section, 35-T19S-R32-E
 Lea County, New Mexico

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

Rustler	1108'	Avalon Sand	7943' Oil Pay
Top of Salt	1183'	Middle Avalon	8264'
Base of Salt	2818'	Lower Avalon	8598'
Yates	3003' Oil Pay	1 st Bone Spring Sand	8858' Oil Pay
Capitan Reef	3383'	2 nd Bone Spring Sand	9520' Oil Pay
Bell Canyon	4558' Oil Pay	2 nd Boné Spring Target	10126" Oil Pay
Cherry Canyon	4998' Oil Pay	TD	14070' Oil Pay
Brushy Canyon	6268' Oil Pay		
Bone Spring Lime	7748' Oil Pay		

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

Water: Approx 250' - 350' and 3383'
 Oil or Gas: All Potential Zones

3. Pressure Control Equipment: Pressure Control Equipment: Yates Petroleum Corporation hereby request a variance to allow us to place a 2000 PSI annular system with a 21 1/4" opening will be installed on the 20" a 3000 PSI BOPE with a 13.625" opening will be installed on the 13.375" casing and 5000 PSI BOPE will be installed on the 9.625" casing. Pressure tests to 1000 PSI, 3000 PSI and 5000 PSI respectively 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.

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) Intermediate casing will be J-55/H40 Hybrid

<u>Hole Size</u>	<u>Casing Size</u>	<u>Wt./Ft</u>	<u>Grade</u>	<u>Coupling</u>	<u>Interval</u>	<u>Length</u>
26"	20"	106.5#	J-55	ST&C	0-80'	80'
26"	20"	94#	J-55	ST&C	80-900'	820'
26"	20"	106.5#	J-55	ST&C	900'-1125' ¹¹⁹⁵	235'
17 1/2"	13 3/8"	61#	HCK-55	ST&C	0-80'	80'
17 1/2"	13 3/8"	54.50#	J-55	ST&C	80'-1800'	1720'
17 1/2"	13 3/8"	61#	HCK-55	ST&C	1800'-2950' ✓	1150'
12 1/4"	9 5/8"	40#	HCK-55	LT&C	0-80'	80'
12 1/4"	9 5/8"	36#	K-55	LT&C	80'-3500'	3420'
12 1/4"	9 5/8"	40#	HCK-55	LT&C	3500'-4650' ✓	1150'
8 3/4"	5 1/2"	17#	P-110	LT&C	0-9370'	9370'
8 1/2"	5 1/2"	17#	P-110 Buttress	LT&C	9370'-14070'	4700'

Minimum Casing Design Factors: Collapse 1.125, Burst 1.0, Joint Strength 1.8

see COA

Well will be drilled vertically to 9373'. It will then be kicked off at 9373' and directionally drilled at 12 degrees per 100' with an 8 3/4" hole to 10126' MD (9851' TVD). Hole will then be reduced to 8 1/2" and drilled to 14070' MD (9833' TVD) where 5 1/2" casing will be set and cemented. A DV tool will be set at approx. 7000'. Penetration point of the producing zone will be encountered at 980' FNL and 1001' FEL of Section 35, T19S-R32E. Deepest TVD ~~in the Pilot Hole~~ will be 9851' in the lateral.

B. **CEMENTING PROGRAM:**

20" **Surface casing:** (0-1135') Lead in with 1573 sx 35:65:6 PzC (Wt. 12.50 Yld 2.0) Tail in with 200 sx "C" +2% CaCl2 (Wt 14.80 Yld 1.34). 100% excess. TOC-Surface.

13 3/8" **Intermediate Casing I:** (0-2950') Lead in with 1910 sx 35:65:6 PzC (Wt 12.50 Yld 2.00); Tail in w/200 sx "C" +2% CaCl2 (Wt 14.80 Yld 1.34). 100% excess. TOC Surface.

Intermediate Casing 2

9 5/8" **Stage 2:** (0-3330') Lead with 910 sx 35:65:6PzC (Wt 12.50 Yld 2.00). Tail in with 200 sx Class 'C' +2% CaCl2 (Wt 14.80 Yld 1.34). 100% excess. TOC Surface.

Stage 1: (3330'-4650') Lead in with 270 sx 35:65:6PzC (Wt 12.50 Yld 2.00). Tail in w/200 sx Class 'C' + 2% CaCl2 (Wt 14.80 Yld 1.34). 100% excess. TOC 3330'.

Production Casing will be cemented using a DV Tool at 7000'.

5 1/2" **Stage 2:** (3100'-7000') Lead with 530 sx 35:65:6PzC (Wt 12.50 Yld 2.00). Tail in with 200 sx PecosVILt (Wt 13.00 Yld 1.41). With additives including 30% CaCO2, 3.2% Expansion Additive, 2% Antifoam, .8% Retarder, 15% Fluid Loss. 35% excess. TOC 3100'.

Stage 1: (7000'-14040') Lead with 510 sx 35:65:6PzC (Wt 12.50 Yld 2.00). Tail in with 985 sx of Pecos VLt (Wt 13.00 Yld 1.41) With additives including 30% CaCO2, 3.2% Expansion Additive, 2% Antifoam, .8% Retarder, 15% Fluid Loss. 35% excess. TOC 7000'.

5. **Mud Program and Auxiliary Equipment:**

Interval	Type	Weight	Viscosity	Fluid Loss
5-1195 0-1135' 1195'	Fresh Water	8.6-9.2	32-34	N/C
1195 1135'-2950'	Brine	10.0-10.2	28-29	N/C
2950'-4650'	Fresh Water	8.6-9.2	28-29	N/C
4650'-14070'	Cut Brine	8.8-9.2	30-34	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:**

Samples: 30 samples to 4800'. 10' samples 4800' to TD.

Logging: GR Neutron 30 degrees dev to surface.
Density 30 degrees dev to intermediate casing.
Laterlog 30 degrees dev to intermediate casing.
CMR 30 degrees dev to intermediate casing.
Schlumberger Tools Platform /HRLA/CMR

EVALUATION PROGRAM CONTINUED:

Coring: None.

DST's: None.

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

Anticipated BHP:

From: 0	TO: 1135'	Anticipated Max. BHP:	543 PSI
From: 1135'	TO: 2950'	Anticipated Max. BHP:	1565 PSI
From: 2950'	TO: 4650'	Anticipated Max. BHP:	2225 PSI
From: 4650'	TO: 9851'	Anticipated Max. BHP:	4713 PSI

No abnormal pressures or temperatures are anticipated.

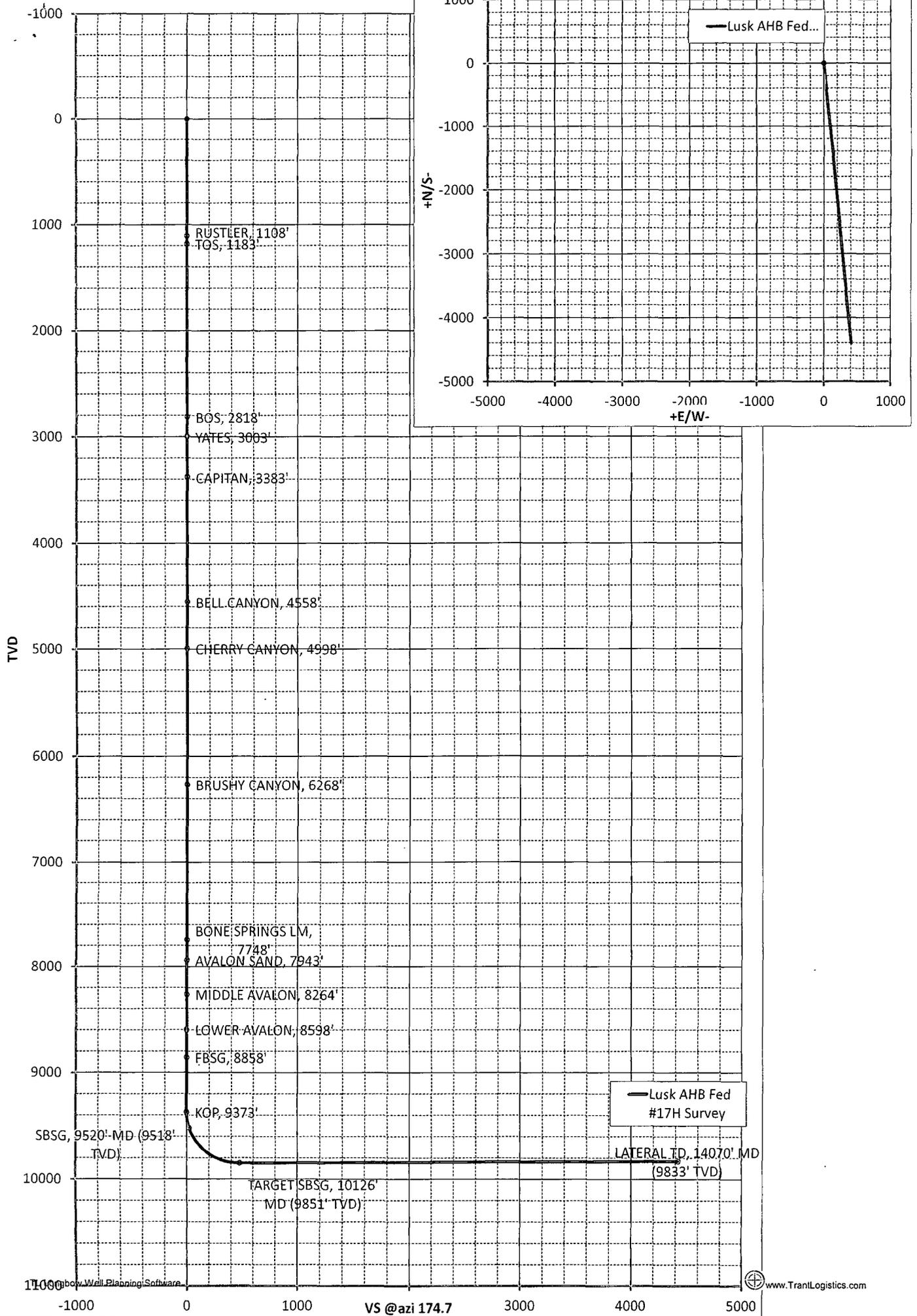
Lost Circulation Zones Anticipated: None.

H2S Zones Anticipated: None

8. ANTICIPATED STARTING DATE:

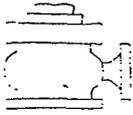
Plans are to drill this well as soon as possible after receiving approval. It should take approximately 45 days to drill the well with completion taking another 15 days.

Survey/Planning Report									
Operator	Yates Petroleum Corp.			Northing		Date	3-Jul-12		
Dir. Co.	Yates Petroleum Corp.			Easting		System	2 - St. Plane		
Well Name	Lusk AHB Fed #17H Survey			Elevation		Datum	1983 - NAD83		
Location	Sec. 35, 19S-32E			Latitude		Zone	4302 - Utah Central		
Rig				Longitude		Scale Fac.			
Job				Units	Feet	Converg.			
MD	INC	AZI	TVD	+N/S-	+E/W-	VS@174.7°	BR	TR	DLS
0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1108.00	0.00	0.00	1108.00	0.00	0.00	0.00	0.00	0.00	0.00
1108: RUSTLER, 1108'									
1183.00	0.00	0.00	1183.00	0.00	0.00	0.00	0.00	0.00	0.00
1183: TOS, 1183'									
2818.00	0.00	0.00	2818.00	0.00	0.00	0.00	0.00	0.00	0.00
2818: BOS, 2818'									
3003.00	0.00	0.00	3003.00	0.00	0.00	0.00	0.00	0.00	0.00
3003: YATES, 3003'									
3383.00	0.00	0.00	3383.00	0.00	0.00	0.00	0.00	0.00	0.00
3383: CAPITAN, 3383'									
4558.00	0.00	0.00	4558.00	0.00	0.00	0.00	0.00	0.00	0.00
4558: BELL CANYON, 4558'									
4998.00	0.00	0.00	4998.00	0.00	0.00	0.00	0.00	0.00	0.00
4998: CHERRY CANYON, 4998'									
6268.00	0.00	0.00	6268.00	0.01	0.00	-0.01	0.00	0.00	0.00
6268: BRUSHY CANYON, 6268'									
7748.00	0.00	0.00	7748.00	0.01	0.00	-0.01	0.00	0.00	0.00
7748: BONE SPRINGS LM, 7748'									
7943.00	0.00	0.00	7943.00	0.01	0.00	-0.01	0.00	0.00	0.00
7943: AVALON SAND, 7943'									
8264.00	0.00	0.00	8264.00	0.01	0.00	-0.01	0.00	0.00	0.00
8264: MIDDLE AVALON, 8264'									
8598.00	0.00	0.00	8598.00	0.01	0.00	-0.01	0.00	0.00	0.00
8598: LOWER AVALON, 8598'									
8858.00	0.00	0.00	8858.00	0.01	0.00	-0.01	0.00	0.00	0.00
8858: FBSG, 8858'									
9373.44	0.00	174.70	9373.44	0.01	0.00	-0.01	0.00	1.86	0.00
9373.44: KOP, 9373'									
9400.00	3.19	174.70	9399.99	-0.73	0.07	0.73	12.00	0.00	12.00
9500.00	15.18	174.70	9498.52	-16.59	1.54	16.66	12.00	0.00	12.00
9520.33	17.62	174.70	9518.02	-22.31	2.07	22.40	12.00	0.00	12.00
9520.33: SBSG, 9520' MD (9518' TVD)									
9600.00	27.18	174.70	9591.60	-52.51	4.87	52.74	12.00	0.00	12.00
9700.00	39.19	174.70	9675.13	-106.91	9.92	107.37	12.00	0.00	12.00
9800.00	51.19	174.70	9745.49	-177.42	16.46	178.18	12.00	0.00	12.00
9900.00	63.19	174.70	9799.58	-260.95	24.20	262.07	12.00	0.00	12.00
10000.00	75.19	174.70	9835.05	-353.85	32.82	355.37	12.00	0.00	12.00
10100.00	87.19	174.70	9850.34	-452.07	41.93	454.01	12.00	0.00	12.00
10125.61	90.26	174.70	9850.90	-477.57	44.29	479.62	12.00	0.00	12.00
10125.61: TARGET SBSG, 10126' MD (9851' TVD)									
14070.37	90.26	174.70	9833.00	-4405.44	408.59	4424.35	0.00	0.00	0.00
14070.37: LATERAL TD, 14070' MD (9833' TVD)									

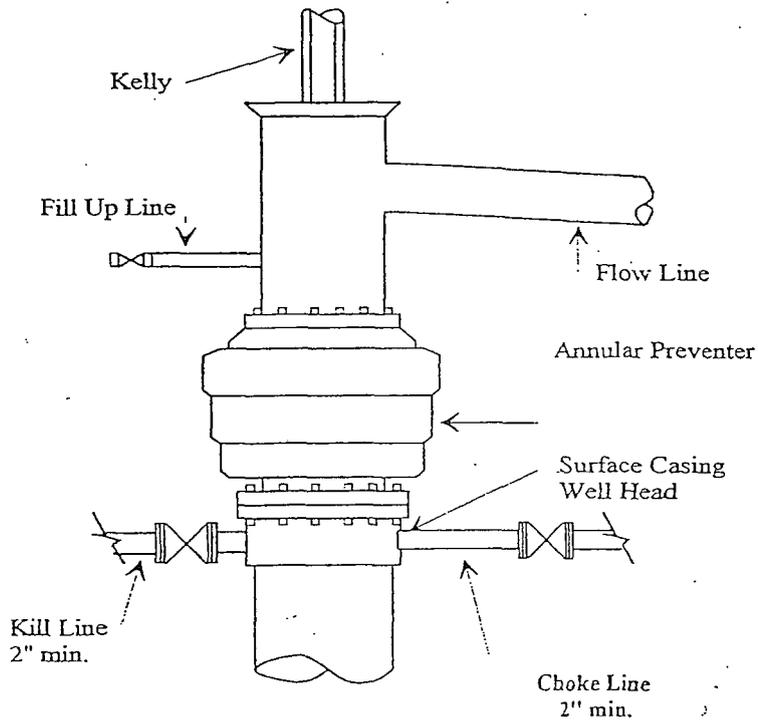


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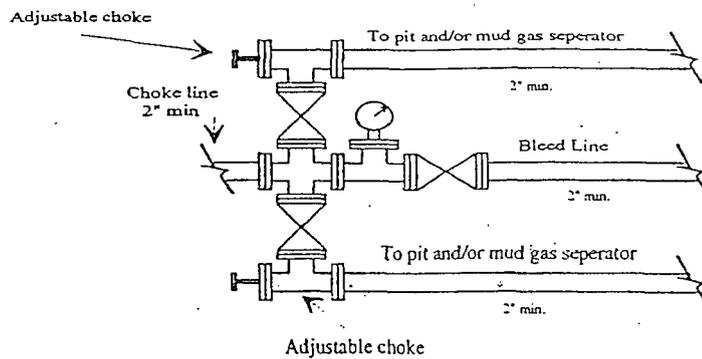
BOP-1

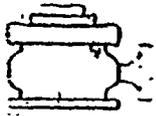


Typical low Pressure System
Schematic
Annular Preventer 2,000 psi



Typical 2,000 psi choke manifold assembly with at least these minimum features





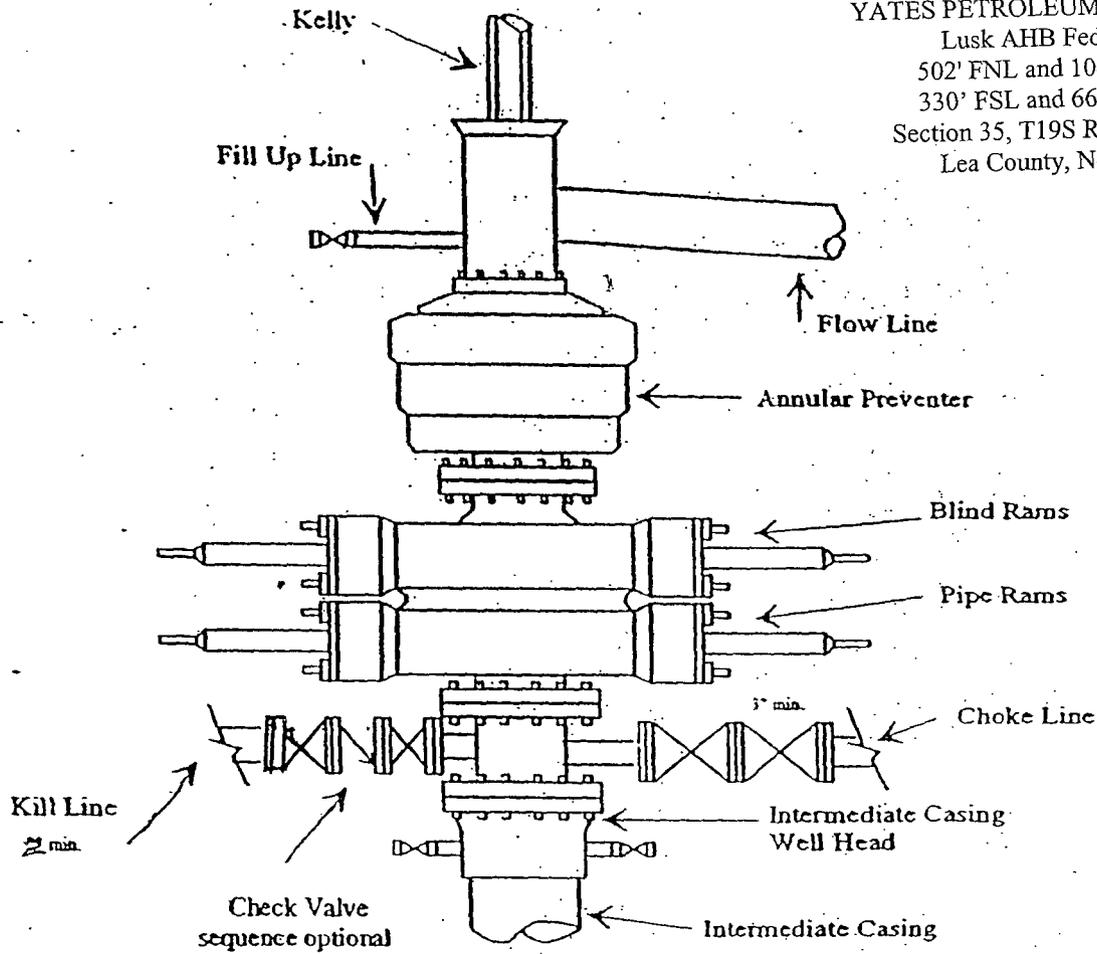
Yates Petroleum Corporation

BOP-3

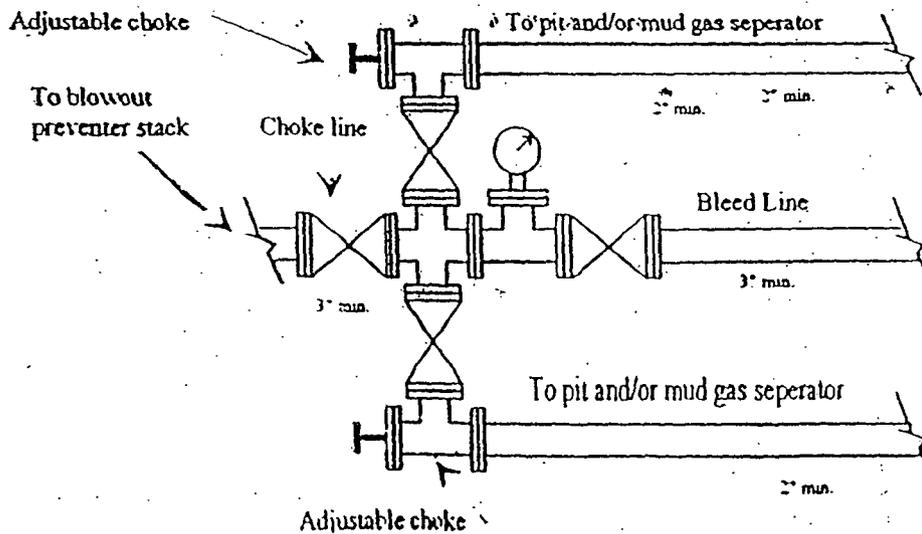
Typical 3,000 psi Pressure System
Schematic

Annular with Double Ram Preventer Stack

YATES PETROLEUM CORPORATION
Lusk AHB Federal #17H
502' FNL and 1045' FEL SHL
330' FSL and 660' FEL BHL
Section 35, T19S R-32E Exhibit C
Lea County, New Mexico

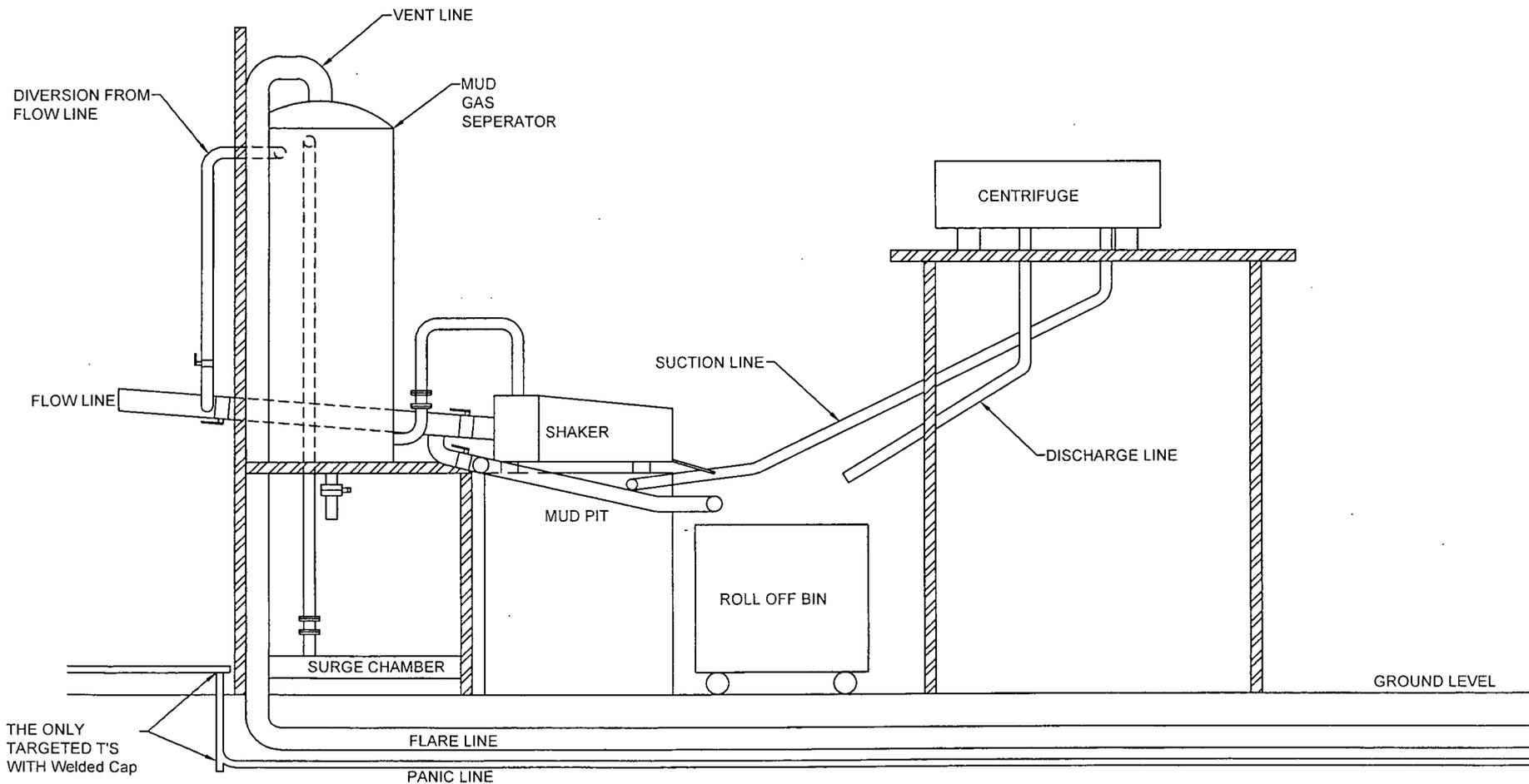


Typical 3,000 psi choke manifold assembly with at least these minimum features

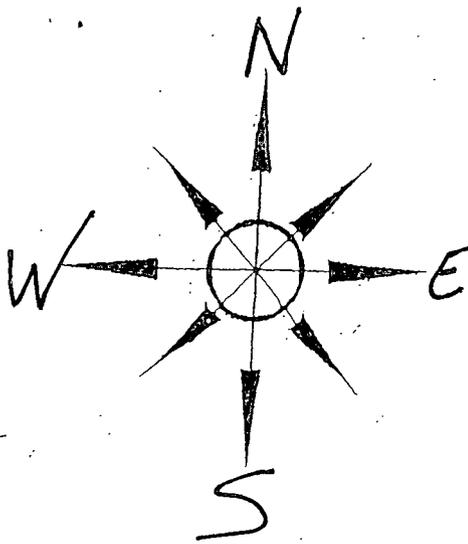


YATES PETROLEUM CORPORATION

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

Location Layout for Permian Basin

YATES PETROLEUM CORPORATION
Lusk AHB Federal #17H
502' FNL and 1045 FEL SHL
330' FSL and 660' FEL BHL
Section 35, T19S R-32E Exhibit B
Lea County, New Mexico

Closed Loop Design Plan

* NOT TO SCALE

