12-975

OCD Hobbs

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JUN 12 2013

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Form 3160-3
(March 2012)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

FORM APPROVED
OMB No. 1004-0137
Expires October 31, 2014

5. Lease Serial No.
NM-15913, NM-110836, NM-108970

6. If Indian, Allotee or Tribe Name
N/A

1a. Type of work: ☑ DRILL ☐ REENTER

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

1b. Type of Well: ☑ Oil Well ☐ Gas Well ☐ Other ☑ Single Zone ☐ Multiple Zone

8. Lease Name and Well No. (39956)
Fearless "BSF" Federal Com. #1H

2. Name of Operator YATES PETROLEUM CORPORATION (25575)

9. API Well No.
30-025-41213

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

3b. Phone No. *(include area code)*
575-748-4347

10. Field and Pool, or Exploratory (97903)
WC-025 G-08 S253235G; LWR BS

4. Location of Well *(Report location clearly and in accordance with any State requirements.*)*

At surface Ut. Ltr. J, 2440' FSL & 2200' FEL, Section 23, T25S-R32E, NWSE

At proposed prod. zone Ut. Ltr. O, 330' FSL & 2200' FEL, Section 26, T25S-R32E, SWSE

11. Sec., T. R. M. or Blk. and Survey or Area
Section 23 & 26, T25S-R32E

14. Distance in miles and direction from nearest town or post office*
approximately 30 miles east of Carlsbad, New Mexico

12. County or Parish
Lea County

13. State
NM

15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any)
200'

16. No. of acres in lease
NM15913-280ac.
NM-110836-1160ac.
NM 108970-480 ac.

17. Spacing Unit dedicated to this well
W2SE, Sec.23 & W2E2, Sec. 26,T25S-R32E

18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft.
1900'

19. Proposed Depth
10830' TVD 17970 MD

20. BLM/BIA Bond No. on file
Nationwide Bond #NM-B000434
Individual Bond NMB000920

21. Elevations (Show whether DF, KDB, RT, GL, etc.)
3417 GL

22. Approximate date work will start*
09/27/2012

23. Estimated duration
70 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.
2. A Drilling Plan.
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 an 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

Name *(Printed/Typed)*
Cy Cowan

Date
8/16/12

Title
Land Regulatory Agent

Approved by *(Signature)*
/s/ James Stovall

Name *(Printed/Typed)*

Date
JUN 7 2013

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

KA 06/13/13

Approval Subject to General Requirements & Special Stipulations Attached

SEE ATTACHED FOR CONDITIONS OF APPROVAL

JUN 18 2013

dm

YATES PETROLEUM CORPORATION
Fearless "BSF" Federal Com. #1H
2440' FSL and 2200' FEL, Section 23-25S-32E, Surface Hole Location
330' FSL and 2200' FEL, Section 26-25S-32E, Bottom Hole Location
Lea County, New Mexico

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

FORMATION	VERTICAL DEPTH	FORMATION	VERTICAL DEPTH	MD DEPTH
Rustler	740'	Brushy Canyon	7080' Oil	
Salado	1080'	Bone Spring	8800' Oil	
Castile	3560'	Lower Avalon	8890' Oil	
Base of Salt	4510'	Target Avalon	9255' Oil	
Delaware	4720'	FBSG	9835' Oil	
Bell Canyon	4870' Oil	Kick Off	10315'	
Cherry Canyon	5730' Oil	SBSG	10345' Oil	10345'
		Target SBSG	10793' Oil	11063'
		TD Lateral	10830'	17970'

2. The estimated depths at which anticipated water, oil or gas formations are expected to be encountered.
   Water: 160'
   Oil or Gas: Zones: See above

3. Pressure Control Equipment: 3000 PSI BOPE with a 13.625" opening will be installed and tested on the 13.3/8" casing and a5000 PSI will be installed and tested on the 9 5/8" casing. Pressure tests to 3000 PSI on the 3000 PSI BOP and 5000 PSI on the 5000 PSI BOP 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 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)

See COA

Hole Size	Casing Size	Wt./Ft	Grade	Coupling	Interval	Length
26"	20"	94#	H-40	ST&C	0-40'	40'
17 ½"	13 3/8"	48#	H-40/J-55 Hybrid	ST&C	0-~~765~~' 837'	~~765~~' 837'
12 ¼"	9 5/8"	40#	HCK-55	LT&C	0-80'	80'
12 ¼"	9 5/8"	36#	J-55	LT&C	80'-3200'	3120'
12 ¼"	9 5/8"	40#	HCK-55	LT&C	3200'-4720'	1520'
8 ¾"	5 ½"	17#	P110	LT&C	0-10300'	10300'
8 ½"	5 ½"	17#	P110	Buttress	10300'-17970'	7670'

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

B. CEMENTING PROGRAM:
   Conductor Cement: One inch cement to surface. TOC is surface.

   Surface Casing: Cement with390 sacks 35:65:6PzC (Wt. 12.50 Yld. 2.00). Tail in with 200 sacks Class C with 2% CaCl2 (Wt.14.80 Yld. 1.34). TOC is surface. Cement designed with 100% excess.

Intermediate Casing will be cemented in two stages with DV tool set at 1500'.

See COA

Intermediate Casing: Stage One; Lead with 1715 sacks of 35:65:6PzC (Wt 12.50 Yld. 2.00). Tail in with 200 sacks Class C with 2% CaCl2 (Wt. 14.80 Yld. 1.34). TOC is 1500' . Cement designed with 100% excess.

Intermediate Casing: Stage Two; Lead with 450 sacks of 35:65:6PzC (Wt. 12.50 Yld. 2.00). Tail in 200 sacks of class C with 2% CaCl2 (Wt. 14.80 Yld. 1.34). TOC is surface. Cement designed with 100% excess.

Production Casing will be cemented in two stages with DV tool set at approximately7000'.

See COA

Production Casing: 1st stage; Lead with 680 sacks 35:65:6PzC (Wt. 12.50 Yld. 2.00). Tail in with 1685 sacks PecosVlLt with D112-Fluid Loss-0.4-%, D151-Caclium Carbonate-22.5-lb/sack, D174-Extender-1.5-lb/sack, D177-Retarder-0.01-lb/sack, D800-Retarder-0.6-lb/sack and D46-Antiform Agent-0.15-lb/sack (Wt. 13.00 Yld. 1.41). TOC 7000'. Cement designed with 35% excess.

Production Casing: 2nd stage; Lead with 335 sacks 35:65:6PzC (Wt. 12.50 Yld. 2.00). Tail in with 200 sacks Pecos VlLt with D112-Fluid Loss-0.4-%, D151-Caclium Carbonate-22.5-lb/sack, D174-Extender-1.5-lb/sack, D177-Retarder-0.01-lb/sack, D800-Retarder-0.6-lb/sack and D46-Antiform Agent-0.15-lb/sack (Wt. 13.00 Yld. 1.41). TOC 4200'. Cement designed with 35% excess.

Well will be drilled vertically to 10315''. The well will then be kicked off at approximately 10315' and directionally drilled at 12 degrees per 100' with an 8 3/4" hole to11063' MD (10793' TVD). Hole size will reduced to an 8 1/2" hole and drilled to17970' MD (10830' TVD) where 5 1/2' will be run and cemented in two stages. A DV tool will be placed at approximately 7000'. Penetration point of producing zone will encountered at 1966' FSL and 2197' FEL in Section 23-25S 32E. Deepest TVD in the well will be in the lateral at 10830' in the lateral.

6. MUD PROGRAM AND AUXILIARY EQUIPMENT:

See COA

INTERVAL	TYPE	WEIGHT	VISCOSITY	FLUID LOSS
0-740' 837'	Fresh Water	8.60-9.20	28-32	N/C
740'-4720'	Brine Water	10.00-10.20	28-30	N/C
4720'-17970'	Cut Brine (Lateral)	8.80-9.20	30-32	N/C

Sufficient mud material(s) to maintain mud properties, control lost circulation and to contain a blowout will be available at the well site during drilling operations. Rig personnel will check mud hourly.

7. EVALUATION PROGRAM:

Samples: 30' samples to 4720'. 10' samples 4720' to TD
Logging: Platform Express: CNL/LDT/NGT: TD to intermediate casing; CNL/GR: TD to surface: DLL/MSFL: TD to surface casing; BHC Sonic: TD to surface casing; CMR: TD to intermediate casing;
Horizontal: MWD-GR: Horizontal
Coring: None anticipated
DST's: None Anticipated
Mudlogging: Yes. From intermediate casing to TD.

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

0'-~~765'~~ 837'	366 PSI
~~765~~'-4720'	2503 PSI
4720'-10830'	5182 PSI

Abnormal Pressures Anticipated: None

Lost Circulation Zones Anticipated: None.

H2S Zones Anticipated: None Anticipated

Maximum Bottom Hole temperature is 170 F

9. ANTICIPATED STARTING DATE:
Plans are to drill this well as soon as possible after receiving approval. It should take approximately 70 days to drill the well with completion taking another 30 days.

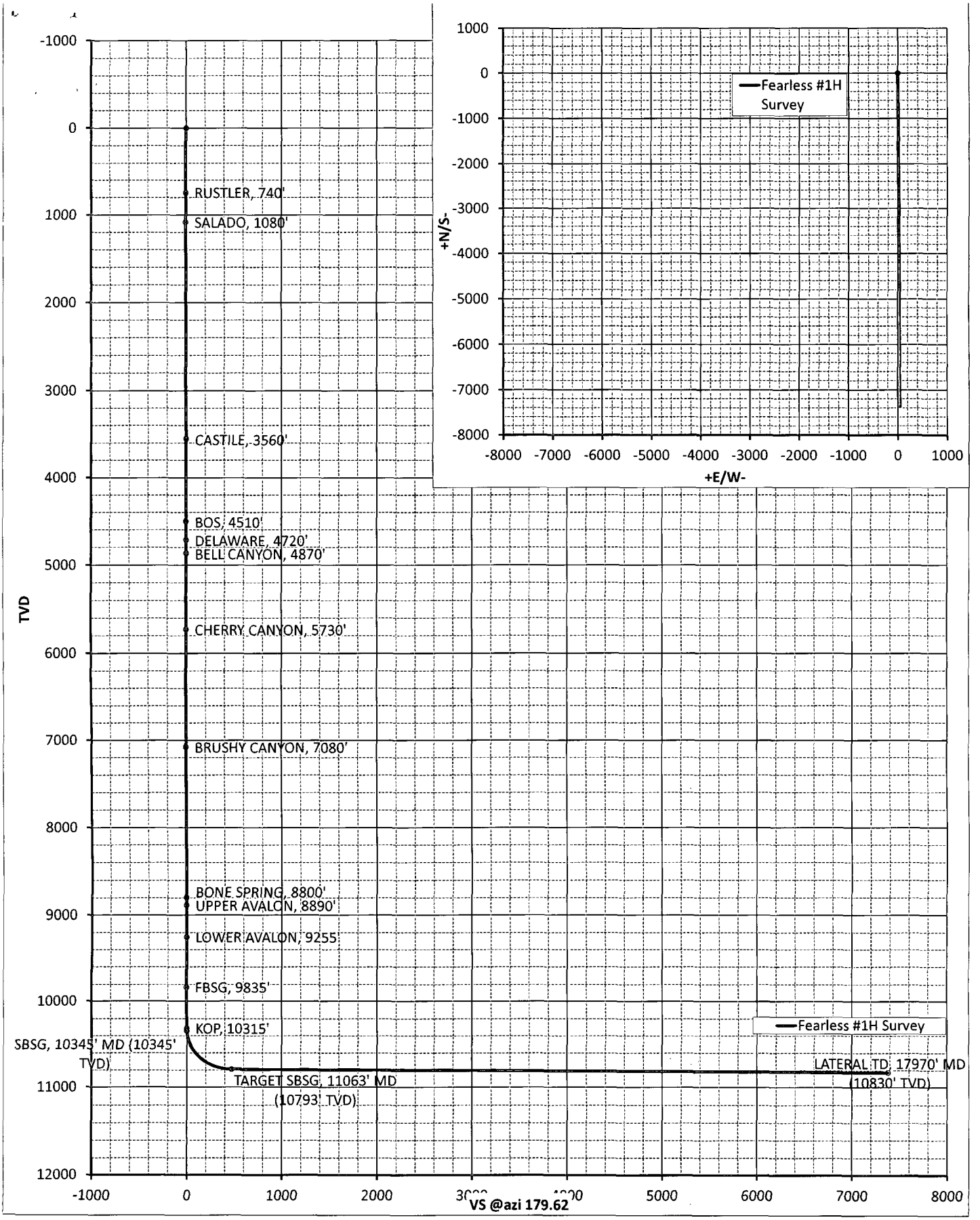
Operator Co.

Your Co.

Survey/Planning Report

Operator	Yates Petroleum Corp.	Northing		Date	7-Aug-12
Dir. Co.	Yates Petroleum Corp.	Easting		System	2 - St. Plane
Well Name	Fearless #1H Survey	Elevation		Datum	1983 - NAD83
Location	Sec.23, 25S-32E	Latitude		Zone	4302 - Utah Central
Rig		Longitude		Scale Fac.	
Job		Units	Feet	Converg.	

MD	INC	AZI	TVD	+N/S-	+E/W-	VS@179.62°	BR	TR	DLS
0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
740.00	0.00	0.00	740.00	0.00	0.00	0.00	0.00	0.00	0.00
740: RUSTLER, 740'									
1080.00	0.00	0.00	1080.00	0.00	0.00	0.00	0.00	0.00	0.00
1080: SALADO, 1080'									
3560.00	0.00	0.00	3560.00	0.00	0.00	0.00	0.00	0.00	0.00
3560: CASTILE, 3560'									
4510.00	0.00	0.00	4510.00	0.00	0.00	0.00	0.00	0.00	0.00
4510: BOS, 4510'									
4720.00	0.00	0.00	4720.00	0.00	0.00	0.00	0.00	0.00	0.00
4720: DELAWARE, 4720'									
4870.00	0.00	0.00	4870.00	0.00	0.00	0.00	0.00	0.00	0.00
4870: BELL CANYON, 4870'									
5730.00	0.00	0.00	5730.00	0.01	0.00	-0.01	0.00	0.00	0.00
5730: CHERRY CANYON, 5730'									
7080.00	0.00	0.00	7080.00	0.01	0.00	-0.01	0.00	0.00	0.00
7080: BRUSHY CANYON, 7080'									
8800.00	0.00	0.00	8800.00	0.01	0.00	-0.01	0.00	0.00	0.00
8800: BONE SPRING, 8800'									
8890.00	0.00	0.00	8890.00	0.01	0.00	-0.01	0.00	0.00	0.00
8890: UPPER AVALON, 8890'									
9255.00	0.00	0.00	9255.00	0.01	0.00	-0.01	0.00	0.00	0.00
9255: LOWER AVALON, 9255'									
9835.00	0.00	0.00	9835.00	0.01	0.00	-0.01	0.00	0.00	0.00
9835: FBSG, 9835'									
10315.17	0.00	179.62	10315.17	0.01	0.00	-0.01	0.00	1.74	0.00
10315.17: KOP, 10315'									
10345.02	3.58	179.62	10345.00	-0.92	0.01	0.92	12.00	0.00	12.00
10345.02: SBSG, 10345' MD (10345' TVD)									
10400.00	10.18	179.62	10399.55	-7.51	0.05	7.51	12.00	0.00	12.00
10500.00	22.18	179.62	10495.42	-35.32	0.23	35.32	12.00	0.00	12.00
10600.00	34.18	179.62	10583.41	-82.45	0.55	82.46	12.00	0.00	12.00
10700.00	46.18	179.62	10659.67	-146.85	0.97	146.86	12.00	0.00	12.00
10800.00	58.18	179.62	10720.88	-225.70	1.49	225.70	12.00	0.00	12.00
10900.00	70.18	179.62	10764.35	-315.55	2.09	315.56	12.00	0.00	12.00
11000.00	82.18	179.62	10788.20	-412.47	2.73	412.48	12.00	0.00	12.00
11062.59	89.69	179.62	10792.63	-474.86	3.14	474.87	12.00	0.00	12.00
11062.59: TARGET SBSG, 11063' MD (10793' TVD)									
17969.82	89.69	179.62	10830.00	-7381.84	48.83	7382.00	0.00	0.00	0.00
17969.82: LATERAL TD, 17970' MD (10830' TVD)									

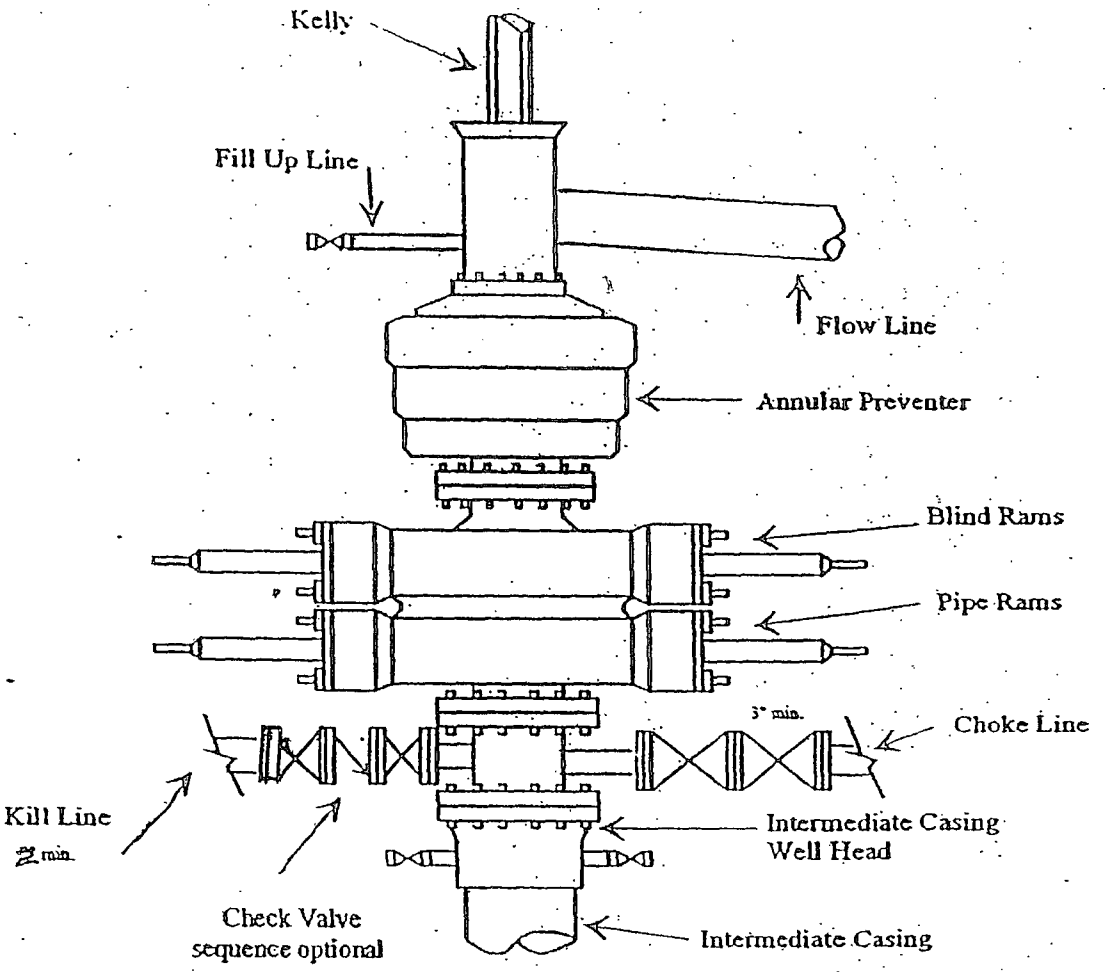

Fearless #1H Survey
+N/S-
+E/W-
TVD
VS @azi 179.62
RUSTLER, 740'
SALADO, 1080'
CASTILE, 3560'
BOS, 4510'
DELAWARE, 4720'
BELL CANYON, 4870'
CHERRY CANYON, 5730'
BRUSHY CANYON, 7080'
BONE SPRING, 8800'
UPPER AVALON, 8890'
LOWER AVALON, 9255'
FBSG, 9835'
KOP, 10315'
SBSG, 10345' MD (10345' TVD)
TARGET SBSG, 11063' MD (10793' TVD)
LATERAL TD, 17970' MD (10830' TVD)
Fearless #1H Survey

Yates Petroleum Corporation

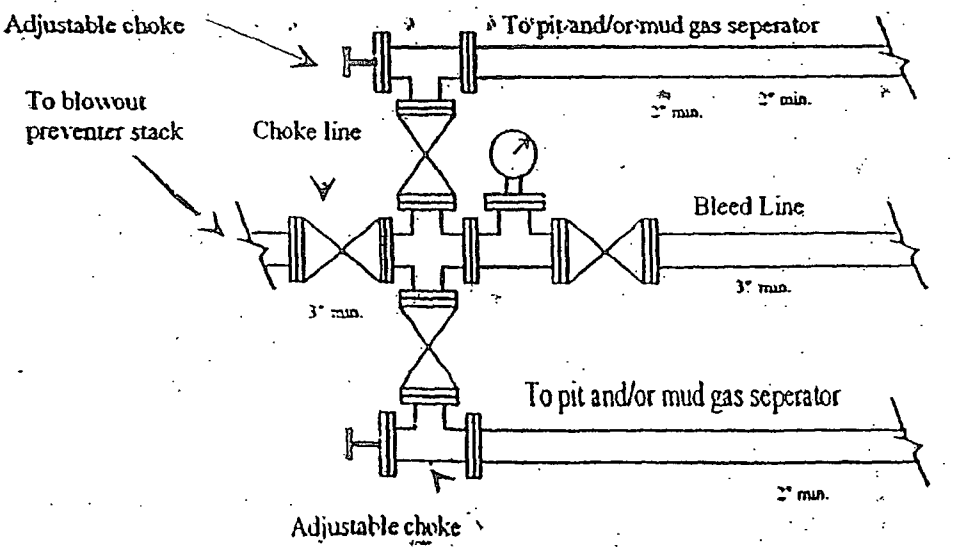
BOP-3

Exhibit

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



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

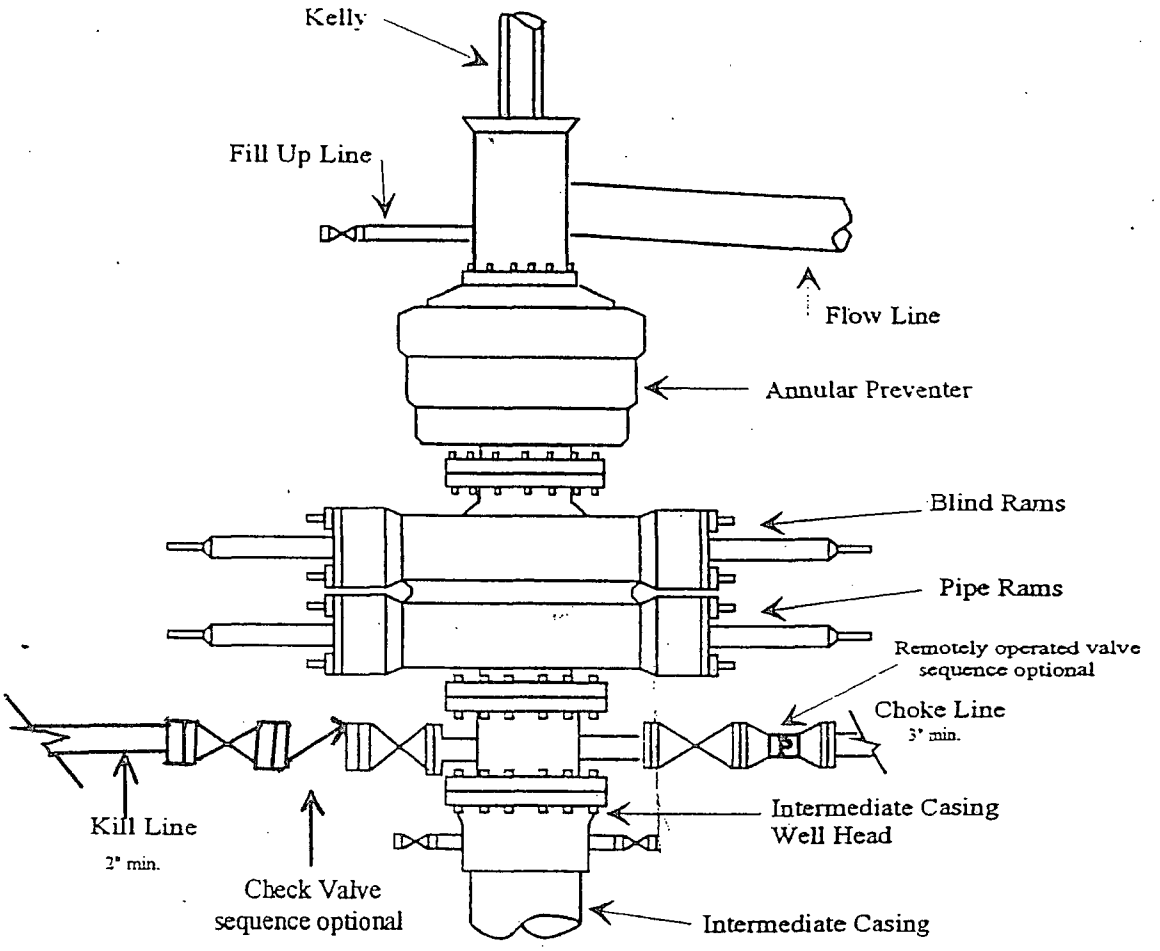


Yates Petroleum Corporation

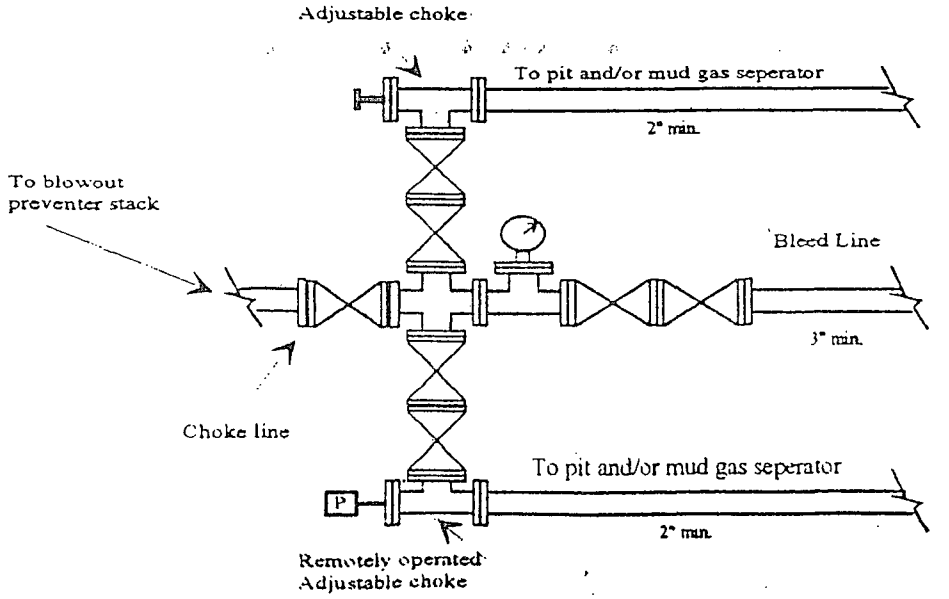
BOP-4

Exhibit

Typical 5,000 psi Pressure System
Schematic
Annular with Double Ram Preventer Stack



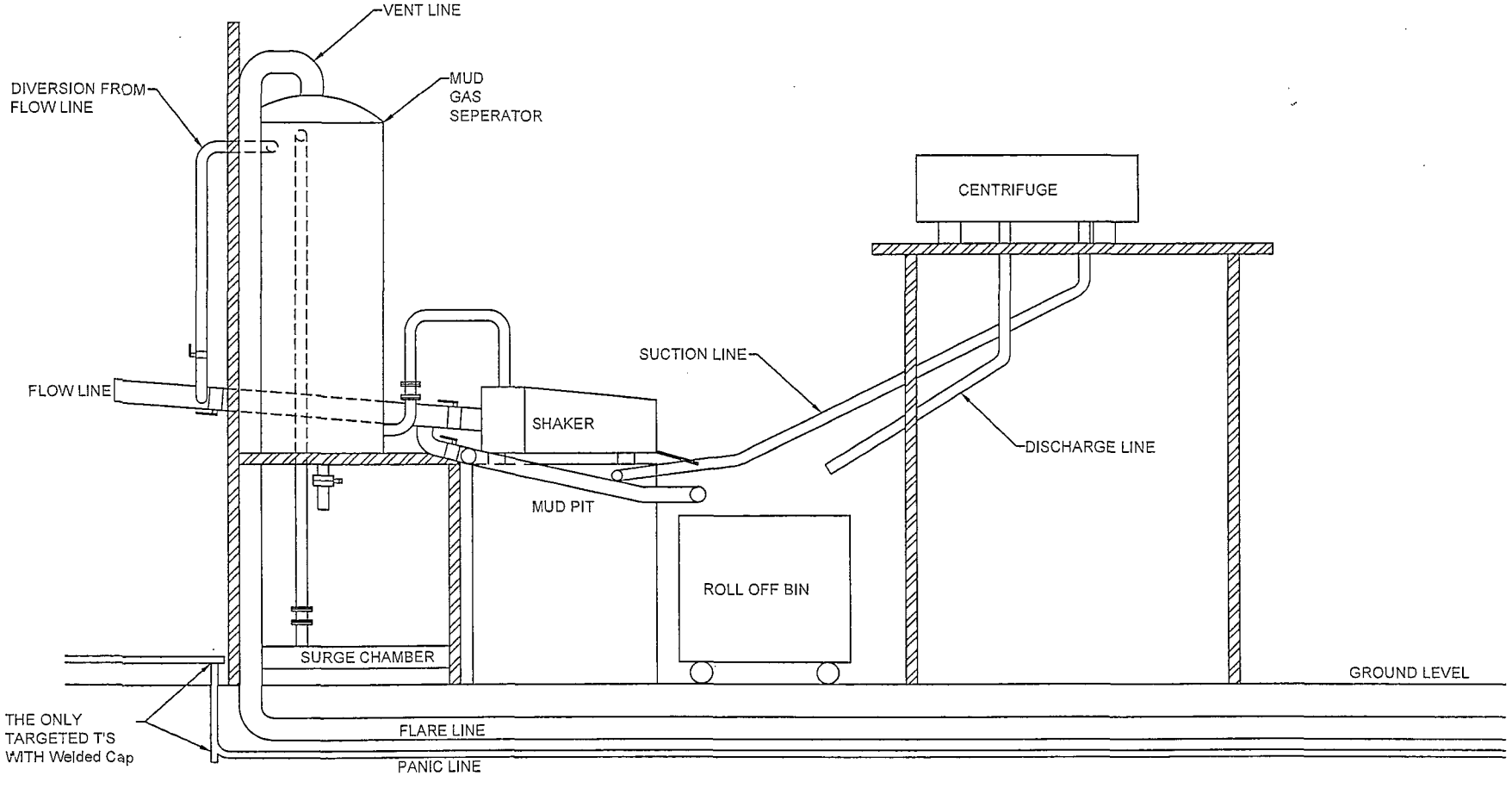
Typical 5,000 psi choke manifold assembly with at least these minimun features



Exhibit

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
Closed Loop System

Equipment Design Plan

Closed Loop System will consist of:
1 – double panel shale shaker
1 – (minimum) Centrifuge, certain wells and flow rates may require 2 centrifuges
On certain wells, the Centrifuge will be replaced by a Clackco Settling Tank System
1 – minimum centrifugal pump to transfer fluids
2- 500 bbl. FW Tanks
1 – 500 bbl. BW Tank
1 – half round frac tank – 250 bbl. capacity as necessary to catch cement / excess mud returns generated during a cement job.
1 Set of rail cars / catch bins
Certain wells will use an ASC Auger Tank

Operation Plan

All equipment will be inspected at least hourly by rig personnel and daily by contractors' personnel.
Any spills / leaks will be reported to YPC, NMOCD, and cleaned up without delay.

Closure Plan

Drilling with Closed Loop System, haul off bins will be taken to Gandy Marley, Lea Land Farm, CRI or Sundance Services Inc.