Form 3160-3
(March 2012)

UNORTHODOX LOCATION

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

OCD Hobbs
HOBBS OCD
AUG 07 2013
RECEIVED

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

NMAT-13-512

APPLICATION FOR PERMIT TO DRILL OR REENTER

5. Lease Serial No. NM-88164	
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. Parsley "ARA" Federal #2H (20478)
2. Name of Operator YATES PETROLEUM CORPORATION (25575)	9. API Well No. 30-025-41327
3a. Address 105 South Fourth Street, Artesia, NM 88210	3b. Phone No. (include area code) 575-748-4347
	10. Field and Pool, or Exploratory Triste Draw Bone Spring (96603)
4. Location of Well (Report location clearly and in accordance with any State requirements.*) At surface Ut. Ltr. P, 200 FSL & 760' FEL, Section 26, T23S-R32E, NENE At proposed prod. zone Ut. Ltr. A, 330' FNL & 660' FEL, Section 26, T23S-R32E,SESE	11. Sec., T. R. M. or Blk. and Survey or Area Section 26, T23S-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 NM-88164 has 480 ac. / 17. Spacing Unit dedicated to this well E2E2, Sec. 26,T25S-R32E
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. Approx. 500'	19. Proposed Depth Pilot Hole 11100' TVD, 15458 MD 10919' TMVD / 20. BLM/BIA Bond No. on file Nationwide Bond #NM-B000434, Individual Bond NMB000920
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3697 GL	22. Approximate date work will start* 07/29/2013 / 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 Cy Cowan	Name (Printed/Typed) Cy Cowan	Date 6/4/13
Title Land Regulatory Agent		
Approved by (Signature) /s/ James Stovall	Name (Printed/Typed) James Stovall	Date AUG - 2 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

HOBBS OCD
AUG 07 2013
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Approval Subject to General Requirements & Special Stipulations Attached

KA 08/14/13

SEE ATTACHED FOR CONDITIONS OF APPROVAL

AUG 16 2013

PM

YATES PETROLEUM CORPORATION
Parsley ARA Federal #2H
200' FSL and 760' FEL, Section 26-T23S-R32E, Surface Hole Location
330' FNL and 660' FEL, Section 26-T23S-R32E, Bottom Hole Location
Lea County, New Mexico

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

Rustler	1224'	Avalon Sand	8934'-Oil
Top of Salt	1674'	1st Bone Springs	9979'-Oil
Bottom of Salt	4754'	2nd Bone Springs	10534'-Oil
Lamar	4994	Target Zone SBSG	10904'-Oil
Bell Canyon Top of Delaware	5044'-Oil	Base 2nd Bone Springs Sand	10929'-Oil
Cherry Canyon	5894'-Oil	Pilot Hole TD	11100'
Brushy Canyon	7244'-Oil	Lateral TD	15458' MD
Bone Springs LM	8794'	Lateral TD	10919' TVD

2. The estimated depths at which anticipated water, oil or gas formations are expected to be encountered: Water: 150'
Oil or Gas: Oil Zones: See above .

3. Pressure Control Equipment: A BOP with a minimum opening of 13 5/8" will be installed on the 13 3/8" rated for 3000# BOP System and a 5000# BOP with a minimum opening of 11"on the 9 5/8" 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. Test will be conducted by an independent tester, utilizing a test plug in the well head. Test will be held for 10 minutes on each segment of the system tested. Any leaks will be repaired at the time of the test. Annular preventer will be tested to 50% of rated working pressure. Accumulator system will be inspected for correct pre charge pressures and proper functionality, prior to connection to the BOP system. 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: 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 casing to be used

See COA

Hole Size	Casing Size	Wt./Ft	Grade	Coupling	Interval	Length
17 1/2"	13 3/8"	48#	J-55/Hybrid	ST&C	0-~~1250'~~ /330	~~1250'~~
12 1/4"	9 5/8"	40#	J-55	LT&C	0-80'	80'
12 1/4"	9 5/8"	36#	J-55	LT&C	80'-3100'	3020'
12 1/4"	9 5/8"	40#	J-55	LT&C	3100'-4100'	1000'
12 1/4"	9 5/8"	40#	HCK-55	LT&C	4100'-~~5100'~~ 5000'	~~1000'~~
8 3/4"	5 1/2"	17#	P-110	Buttress	0'-15458'	15458'

Hole will be drilled vertically to 11100'. A 200' isolation plug will be set at the bottom pilot hole with 100 sacks Class H with Fresh Water=3.352 gal/sack, D080-Despersanr=.030 gal/sack, D197-Retarder Acc= 0.070 gal/sack, D206-Antifoam=0.020 gal/sack (Wt. 17.5 lb/gal Yld. 0.94). Cement designed with 10% excess. Then a 600' kick off plug will be from approximately 10700' to 10100' with 360 sacks Class H cement with Fresh Water=3.352 gal/sack, D080-Despersant=.030 gal/sack, D197-Retarder Acc= 0.070 gal/sack, D206-Antifoam=0.020 gal/sack (Wt. 17.5 lb/gal Yld. 0.94). Cement designed with 35% excess. Well will then kicked off at approximately 10428' . Well will then be directionally drilled at 12 degrees per 100' with a 8 ¾" hole to 11177' MD (10906' TVD). At this point, reduce the hole size to 8 ½" and drill to 15458' MD (10919' TVD) where 5 ½" casing will be set and cemented to surface in three stages with a DV/Stage Packer tool from9900'-10400' and 6950'-7450' (Cement volumes will be adjusted proportionately if DV tool is moved). Penetration point of the of the producing zone will be encountered at 675' FSL & 1753' FEL, 26-23S-31E. Deepest TVD in the well is pilot hole is11100' and in lateral is 10919'.

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

B. CEMENTING PROGRAM:

Surface Casing: Lead with 730 sacks 35:65:6PzC (Wt. 12.50 Yld 2.00). Tail in with 200 sacks Class C with CaCl 2% (Wt. 14.80 Yld. 1.34). Cement designed with 100% excess. TOC surface.

Intermediate Casing: Lead with 1455 sacks of 35:65:6PzC (Wt. 12.50 Yld. 2.00). Tail in with 200 sacks Class C with CaCl 2% (Wt. 14.80 Yld. 1.34). Cement designed with 100% excess. TOC surface.

Production Casing will be cemented in three stages with DV/Stage Packer tool from approxi-Mately 9900'-10400' and 6950'-7450'.

Stage One: 15,458'- 10,400' Cement with 1225 sacks PecosValley Lite with D112, Fluid Loss, 0.4%: D151, Calcium 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, Antifoam Agent, 0.15 lb/sack (Wt. 13.00 Yld. 1.41). Cement designed with 35% excess. TOC will be 10,400'.

Stage Two: 10,400'-7200' Lead with 475 sacks 35:65:6PzC (Wt. 12.50 Yld 2.00). Tail in with 100 sacks Pecos Valley Lite with D112, Fluid Loss, 0.4%: D151, Calcium 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, Antifoam Agent, 0.15 lb/sack (Wt. 13.00 Yld. 1.41). Cement designed with 35% excess. TOC will be 7200'.

See COA

Stage Three: 7200'-4600' Lead with 375 sacks 35:65:6PzC (Wt. 12.50 Yld 2.00). Tail in with 100 sacks Pecos Valley Lite with D112, Fluid Loss, 0.4%: D151, Calcium 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. Antifoam Agent, 0.15 lb/sack (Wt. 13.00 Yld. 1.41). Cement designed with 35% excess. TOC will be 4600'

6. MUD PROGRAM AND AUXILIARY EQUIPMENT:

Interval	Type	Weight	Viscosity	Fluid Loss
0-1250'	Fresh Water	8.60-9.20	28-34	N/C
1250'-5100'	Brine Water	10.00-10.20	28-29	N/C
5100'-11100' in Pilot Hole	Cut Brine	8.80-9.00	32-34	N/C
10428-15458' in Lateral	Cut Brine	8.80-9.00	32-34	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. The slow pump speed will be recorded on the daily drilling report after mudding uo. A mud test will be performed every 24 hours after mudding up to determine, as applicable, viscosity, gel strength, filtration and pH. After surface casing is set an electronic PVT system will be installed as our primary mud level monitoring system. A secondary system will also be implemented as to insure the PVT system is functioning properly. The secondary system will be comprised of the derrick hand visually checking the fluid level in the pits periodically using a nut on the end of a rope hanging just above the fluid level in the pit.

7. EVALUATION PROGRAM:

Samples: 30' samples to 5100'. 10' samples from 5100' to TD. Mudloggers on after surface casing.
Logging: Gamma Ray Neutron from 30 degrees into the curve to surface; CMR from 30 degrees into curve back to intermediate casing; Density from 30 degrees into curve back to intermediate casing; Laterolog from 30 degrees into curve back to intermediate casing. Schlumberger tools platform/HRLA/CMR.
Coring: None anticipated
DST's: None Anticipated

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

0'-1250'	598 PSI
1250'-5100'	2705 PSI
5100'-11100'	5195 PSI

Abnormal Pressures Anticipated: None
Lost Circulation Zones Anticipated: None.
H2S Zones Anticipated: None Anticipated
Maximum Bottom Hole Temperature: 150 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.

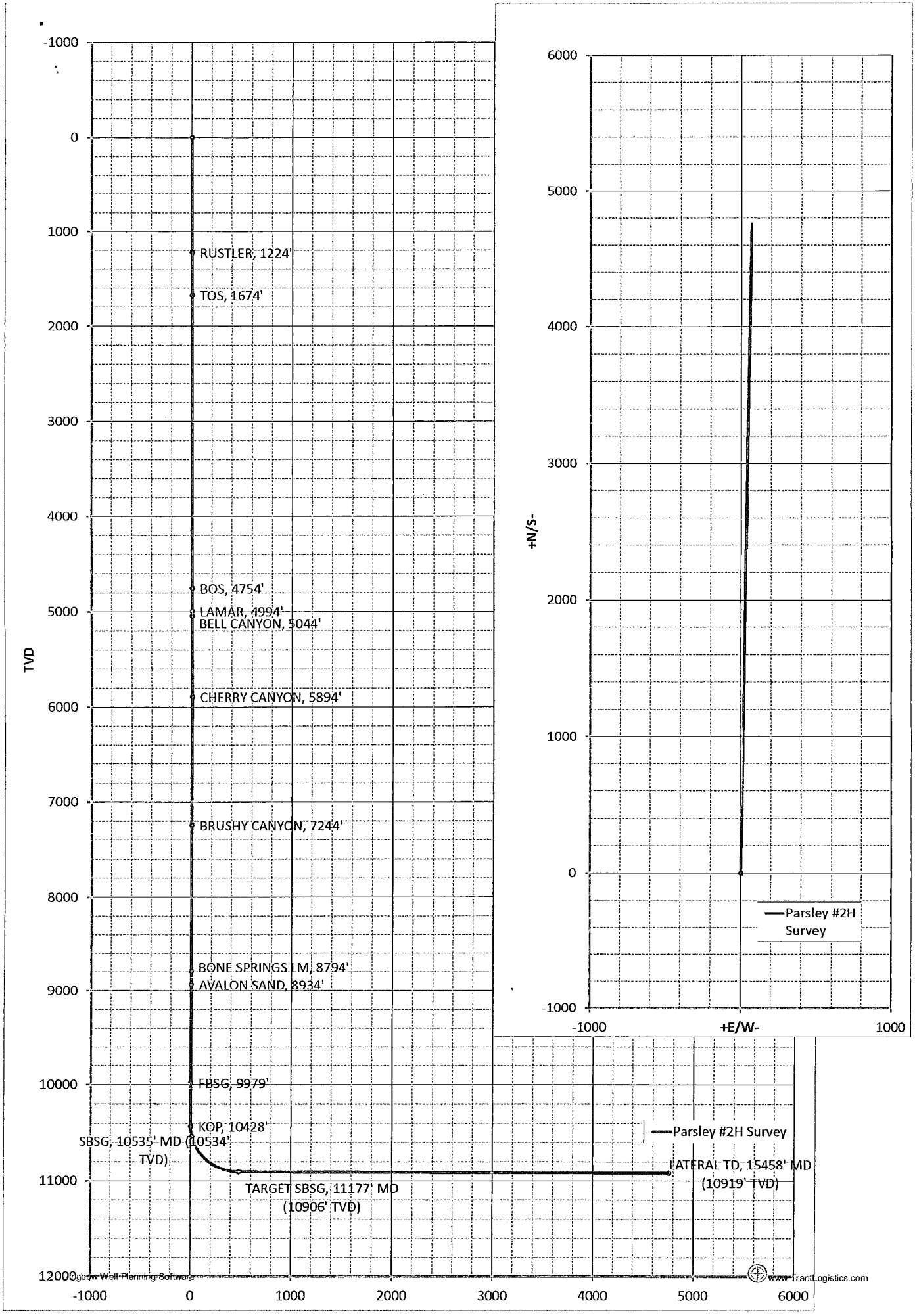
Operator Co.

Your Co.

Survey/Planning Report

Operator	Yates Petroleum Corp.	Northing		Date	29-May-13
Dir. Co.	Yates Petroleum Corp.	Easting		System	2 - St. Plane
Well Name	Parsley #2H Survey	Elevation		Datum	1983 - NAD83
Location	Sec. 26, 23S-32E	Latitude		Zone	4302 - Utah Central
Rig		Longitude		Scale Fac.	
Job		Units	Feet	Converg.	

MD	INC	AZI	TVD	+N/S-	+E/W-	VS@0.8°	BR	TR	DLS
0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1224.00	0.00	0.00	1224.00	0.00	0.00	0.00	0.00	0.00	0.00
1224: RUSTLER, 1224'									
1674.00	0.00	0.00	1674.00	0.00	0.00	0.00	0.00	0.00	0.00
1674: TOS, 1674'									
4754.00	0.00	0.00	4754.00	0.00	0.00	0.00	0.00	0.00	0.00
4754: BOS, 4754'									
4994.00	0.00	0.00	4994.00	0.00	0.00	0.00	0.00	0.00	0.00
4994: LAMAR, 4994'									
5044.00	0.00	0.00	5044.00	0.00	0.00	0.00	0.00	0.00	0.00
5044: BELL CANYON, 5044'									
5894.00	0.00	0.00	5894.00	0.01	0.00	0.01	0.00	0.00	0.00
5894: CHERRY CANYON, 5894'									
7244.00	0.00	0.00	7244.00	0.01	0.00	0.01	0.00	0.00	0.00
7244: BRUSHY CANYON, 7244'									
8794.00	0.00	0.00	8794.00	0.01	0.00	0.01	0.00	0.00	0.00
8794: BONE SPRINGS LM, 8794'									
8934.00	0.00	0.00	8934.00	0.01	0.00	0.01	0.00	0.00	0.00
8934: AVALON SAND, 8934'									
9979.00	0.00	0.00	9979.00	0.01	0.00	0.01	0.00	0.00	0.00
9979: FBSG, 9979'									
10428.09	0.00	0.80	10428.09	0.01	0.00	0.01	0.00	0.01	0.00
10428.09: KOP, 10428'									
10500.00	8.63	0.80	10499.73	5.41	0.08	5.41	12.00	0.00	12.00
10534.88	12.82	0.80	10533.99	11.90	0.17	11.90	12.00	0.00	12.00
10534.88: SBSG, 10535' MD (10534' TVD)									
10600.00	20.63	0.80	10596.31	30.62	0.43	30.63	12.00	0.00	12.00
10700.00	32.63	0.80	10685.54	75.36	1.05	75.37	12.00	0.00	12.00
10800.00	44.63	0.80	10763.51	137.67	1.93	137.68	12.00	0.00	12.00
10900.00	56.63	0.80	10826.83	214.83	3.01	214.85	12.00	0.00	12.00
11000.00	68.63	0.80	10872.72	303.46	4.25	303.49	12.00	0.00	12.00
11100.00	80.63	0.80	10899.18	399.70	5.59	399.74	12.00	0.00	12.00
11176.59	89.82	0.80	10905.55	475.93	6.66	475.97	12.00	0.00	12.00
11176.59: TARGET SBSG, 11177' MD (10906' TVD)									
15457.66	89.82	0.80	10919.01	4756.56	66.55	4757.03	0.00	0.00	0.00
15457.66: LATERAL TD, 15458' MD (10919' TVD)									


TVD
-1000
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1000
2000
3000
4000
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7000
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9000
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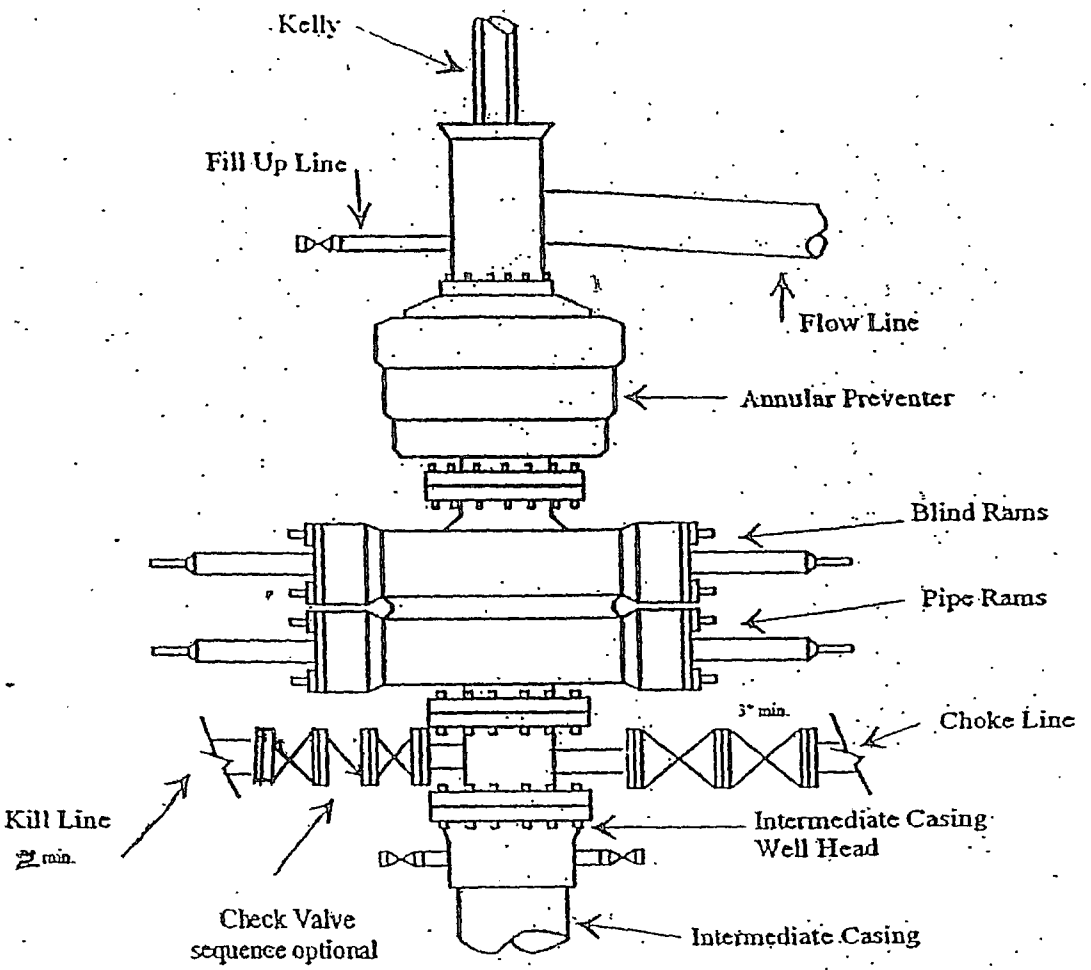
11000
12000
RUSTLER, 1224'
TOS, 1674'
BOS, 4754'
LAMAR, 4994'
BELL CANYON, 5044'
CHERRY CANYON, 5894'
BRUSHY CANYON, 7244'
BONE SPRINGS LM, 8794'
AVALON SAND, 8934'
FBSG, 9979'
KOP, 10428'
SBSG, 10535' MD (10534' TVD)
TARGET SBSG, 11177' MD (10906' TVD)
LATERAL TD, 15458' MD (10919' TVD)
Parsley #2H Survey
-1000
0
1000
2000
3000
4000
5000
6000
+N/S-
-1000
+E/W-
1000
Parsley #2H Survey
Vgbow Well Planning Software
www.TrantLogistics.com

Yates Petroleum Corporation

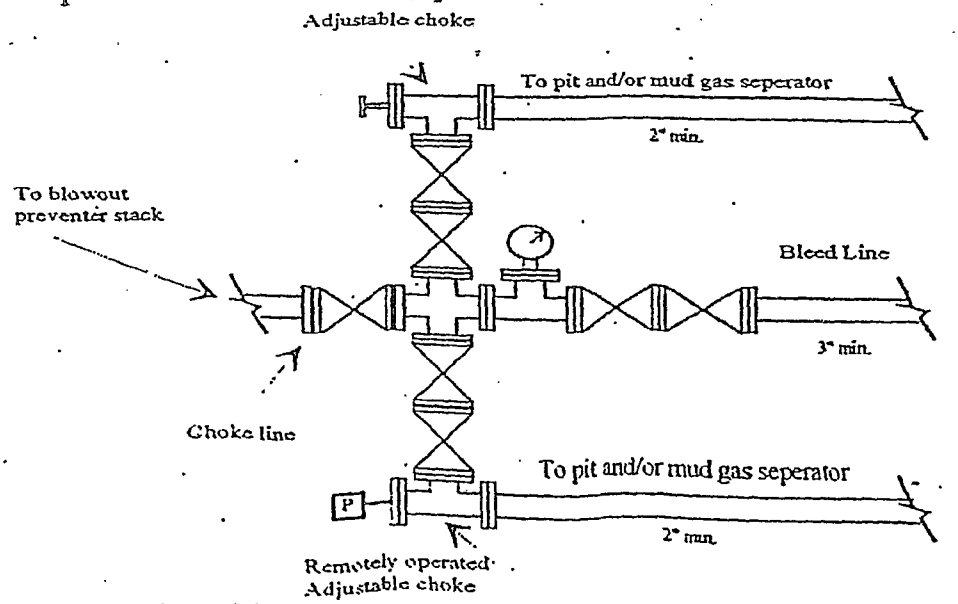
BOP-3

Exhibit

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



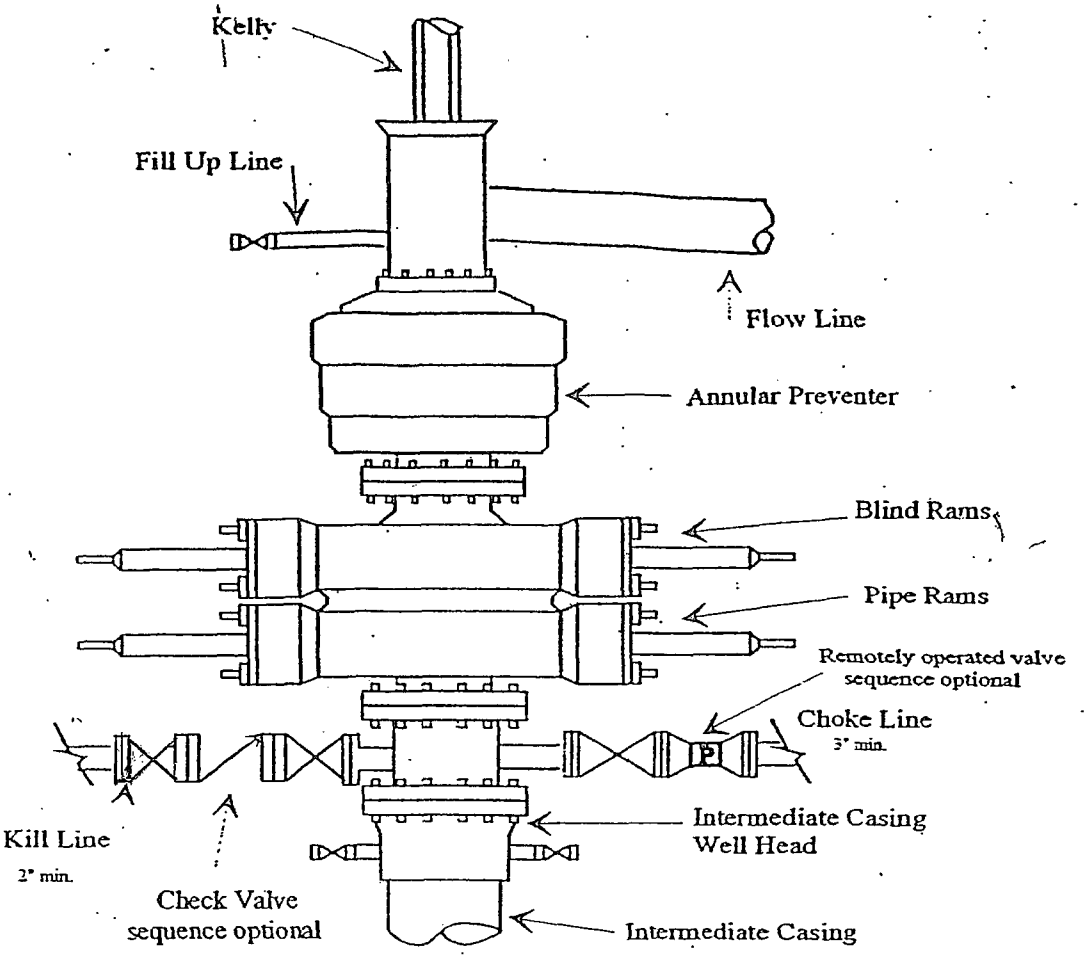
Typical 3,000 psi choke manifold assembly with at least these minimum features



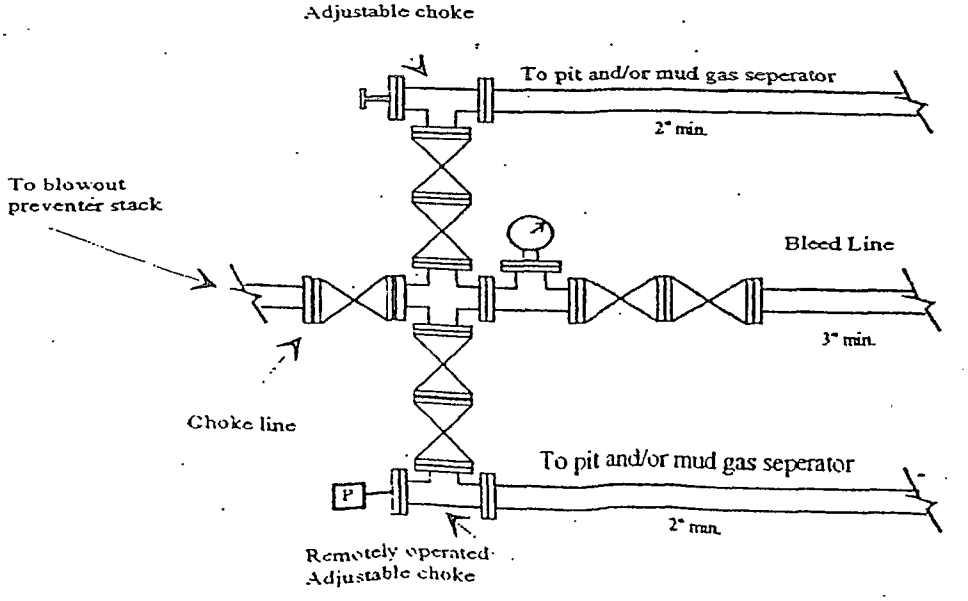
Exhibit

Yates Petroleum Corporation

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



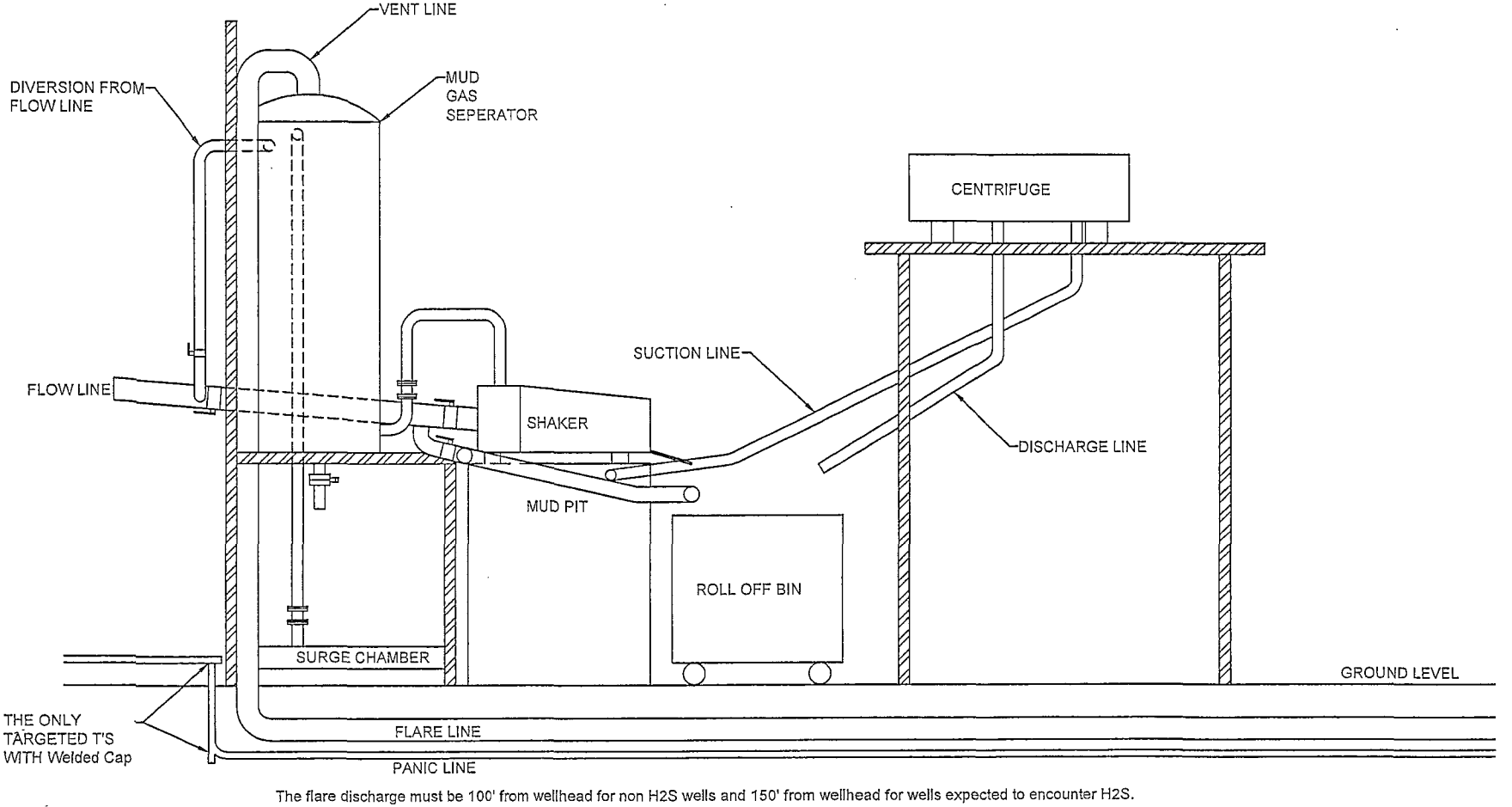
Typical 5,000 psi choke manifold assembly with at least these minimun features



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.