HOBBS OCD

SEP 06 2013

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13-514

Form 3160-3
(March 2012)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

OCD Hobbs

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

UNORTHODOX LOCATION

APPLICATION FOR PERMIT TO DRILL OR REENTER

5. Lease Serial No.
NM-88164 & LC-063228

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. <40117>
Parsley "ARA" Federal Com #4H

2. Name of Operator YATES PETROLEUM CORPORATION <25575>

9. API Well No.
30-025-41379

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

3b. Phone No. *(include area code)*
575-748-4372

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. N, 200 FSL & 1920' FWL, Section 26, T23S-R32E, SWSW

At proposed prod. zone Ut. Ltr. C 330' FNL & 1980' FWL, Section 26, T23S-R32E,NENW

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.
LC-063228 has ~~160~~ 1600 ac.

17. Spacing Unit dedicated to this well
E2W2 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
10893' TVD 15429 MD
Pilot Hole 12350'

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

21. Elevations (Show whether DF, KDB, RT, GL, etc.)
3675 GL

22. Approximate date work will start*
08/29/2013

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 Clifton May FOR Cy Cowan
Name *(Printed/Typed)* Cy Cowan
Date 7/25/13

Title
Land Regulatory Agent

Approved by *(Signature)* /s/George MacDonell
Name *(Printed/Typed)*
Date SEP 3 - 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

KR 09/10/13

Approval Subject to General Requirements & Special Stipulations Attached

SEE ATTACHED FOR
CONDITIONS OF APPROVAL

SEP 11 2013 PM

YATES PETROLEUM CORPORATION
Parsley ARA Federal Com #4H
200' FSL and 1920' FWL, Section 26-T23S-R32E, Surface Hole Location
330' FNL and 1980' FWL, Section 26-T23S-R32E, Bottom Hole Location
Lea County, New Mexico

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

Rustler	1193'	Avalon Sand	8898'-Oil
Top of Salt	1673'	1st Bone Springs	9953'-Oil
Bottom of Salt	4683'	2nd Bone Springs	10618'-Oil
Lamar	4933'	Target Zone SBSG	10878'-Oil
Bell CanyonTop of Delaware	4983'-Oil	Base 2nd Bone Springs Sand	10908'
Cherry Canyon	5853'-Oil	3rd Bone Springs	11863'
Brushy Canyon	7163'-Oil	Wolcamp	12263'
Bone Springs LM	8753'	Pilot Hole TD	12350'

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 3000 PSI BOP system with a minimum opening of 13 5/8" will be nippled up on the 13 3/8" casing and a 5000 PSI BOP system with a minimum opening of 11" on the 9 5/8" casing. Blind rams and pipe rams will be tested to the rated pressure of the BOP's. 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. The accumulator system will be inspected for correct pre charge pressures and proper functionality prior to connection to the BOP system. Pressure tests 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: 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:

See COA

A. Casing Program: All new casing to be used

Hole Size	Casing Size	Wt./Ft	Grade	Coupling	Interval	Length
17 1/2"	13 3/8"	48#	J-55/Hybrid	ST&C	0-~~1220'~~ 1320	~~1220'~~
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'~~ 4900'	1000'

8 3/4"	5 1/2"	17#	P-110	Buttress	0'-11151'	11151'
8 1/2"	5 1/2"	17#	P-110	Buttress	11151'-15429'	4278'

Hole will be drilled vertically to 12350'. A 225' 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 10402'. Well will then be directionally drilled at 12 degrees per 100' with a 8 ¾" hole to 11151' MD (10880' TVD). At this point, reduce the hole size to 8 ½" and drill to 15429' MD (10893' TVD) where 5 ½" casing will be set and cemented to surface in three stages with a DV/Stage Packer tool from 9900'-10400' and 6850'-7350' (Cement volumes will be adjusted proportionately if DV tool is moved). Penetration point of the producing zone will be encountered at 806' FSL & 1923' FEL, 26-23S-31E. Deepest TVD in the well is pilot hole is12350' and in lateral is 10893'.

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

B. CEMENTING PROGRAM:

Surface Casing: Lead with 710 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.

See COA

Production Casing will be cemented in three stages with DV/Stage Packer tool from approximately 9900'-10400' and 6850'-7350'. Cement calculations are based on 10400' and 7100'.

Stage One: Cement with 1215 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 10400'.

Stage Two: Lead with 495 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 7100'.

Stage Three: Lead with 360 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 ~~4600~~'.

See COA

6. MUD PROGRAM AND AUXILIARY EQUIPMENT:

See COA

Interval	Type	Weight	Viscosity	Fluid Loss
0-~~1220~~ 1520	Fresh Water	8.60-9.20	28-34	N/C
~~1220'-5100'~~ 4900	Brine Water	10.00-10.20	28-29	N/C
~~5100'~~-12350' in Pilot Hole	Cut Brine	8.80-9.00	32-34	N/C
10402-15429' 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.

See COA

0' to ~~1220~~'	584 PSI
~~1220' to 5100~~'	2705 PSI
~~5100'~~ to 10933'	5230 PSI
Pilot Hole—5100' to 12350'	5780 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.

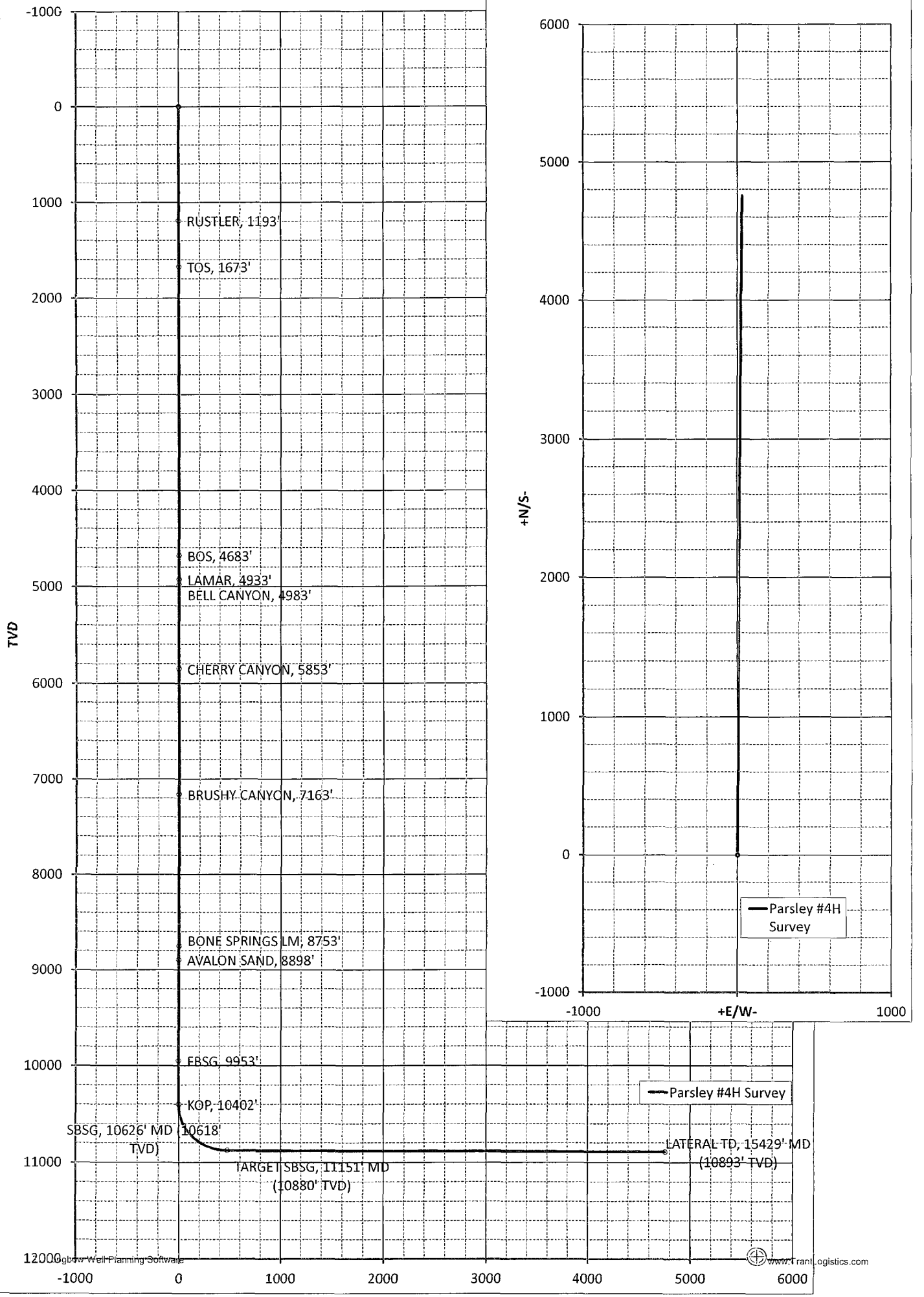
Operator Co.

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 #4H 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°	BR	TR	DLS
0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
1193.00	0.00	0.00	1193.00	0.00	0.00	0.00	0.00	0.00	0.00
1193: RUSTLER, 1193'									
1673.00	0.00	0.00	1673.00	0.00	0.00	0.00	0.00	0.00	0.00
1673: TOS, 1673'									
4683.00	0.00	0.00	4683.00	0.00	0.00	0.00	0.00	0.00	0.00
4683: BOS, 4683'									
4933.00	0.00	0.00	4933.00	0.00	0.00	0.00	0.00	0.00	0.00
4933: LAMAR, 4933'									
4983.00	0.00	0.00	4983.00	0.00	0.00	0.00	0.00	0.00	0.00
4983: BELL CANYON, 4983'									
5853.00	0.00	0.00	5853.00	0.01	0.00	0.01	0.00	0.00	0.00
5853: CHERRY CANYON, 5853'									
7163.00	0.00	0.00	7163.00	0.01	0.00	0.01	0.00	0.00	0.00
7163: BRUSHY CANYON, 7163'									
8753.00	0.00	0.00	8753.00	0.01	0.00	0.01	0.00	0.00	0.00
8753: BONE SPRINGS LM, 8753'									
8898.00	0.00	0.00	8898.00	0.01	0.00	0.01	0.00	0.00	0.00
8898: AVALON SAND, 8898'									
9953.00	0.00	0.00	9953.00	0.01	0.00	0.01	0.00	0.00	0.00
9953: FBSG, 9953'									
10402.10	0.00	0.36	10402.10	0.01	0.00	0.01	0.00	0.00	0.00
10402.1: KOP, 10402'									
10500.00	11.76	0.36	10499.31	10.02	0.06	10.02	12.01	0.00	12.01
10600.00	23.77	0.36	10594.37	40.47	0.25	40.47	12.01	0.00	12.01
10625.95	26.88	0.36	10617.83	51.57	0.32	51.57	12.01	0.00	12.01
10625.95: SBSG, 10626' MD (10618' TVD)									
10700.00	35.77	0.36	10681.02	90.03	0.56	90.03	12.00	0.00	12.00
10800.00	47.76	0.36	10755.47	156.52	0.98	156.52	12.00	0.00	12.00
10900.00	59.76	0.36	10814.48	237.02	1.48	237.02	12.00	0.00	12.00
11000.00	71.75	0.36	10855.46	328.04	2.05	328.04	12.00	0.00	12.00
11100.00	83.75	0.36	10876.64	425.58	2.65	425.58	12.00	0.00	12.00
11150.60	89.82	0.36	10879.56	475.96	2.97	475.96	12.00	0.00	12.00
11150.6: TARGET SBSG, 11151' MD (10880' TVD)									
15429.29	89.82	0.36	10893.00	4754.56	29.64	4754.56	0.00	0.00	0.00
15429.29: LATERAL TD, 15429' MD (10893' TVD)									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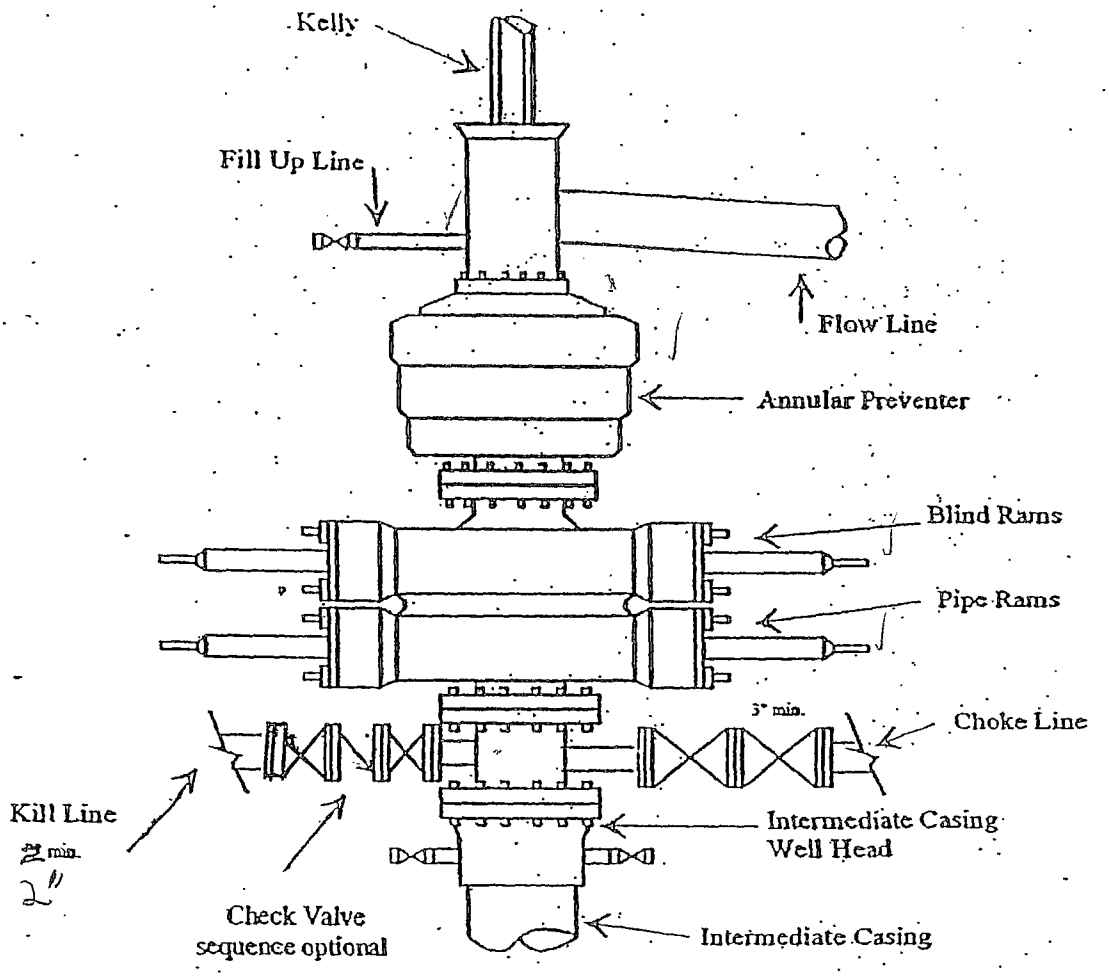
3000
4000
5000
6000
7000
8000
9000
10000
11000
12000
TVD
RUSTLER, 1193'
TOS, 1673'
BOS, 4683'
LAMAR, 4933'
BELL CANYON, 4983'
CHERRY CANYON, 5853'
BRUSHY CANYON, 7163'
BONE SPRINGS LM, 8753'
AVALON SAND, 8898'
FBSG, 9953'
KOP, 10402'
SBSG, 10626' MD (10618' TVD)
TARGET SBSG, 11151' MD (10880' TVD)
LATERAL TD, 15429' MD (10893' TVD)
Parsley #4H Survey
-1000
0
1000
2000
3000
4000
5000
6000
-1000
0
1000
2000
3000
4000
5000
6000
+E/W-
+N/S-
Parsley #4H Survey
Edgebow Well Planning Software
www.TrantLogistics.com

Yates Petroleum Corporation

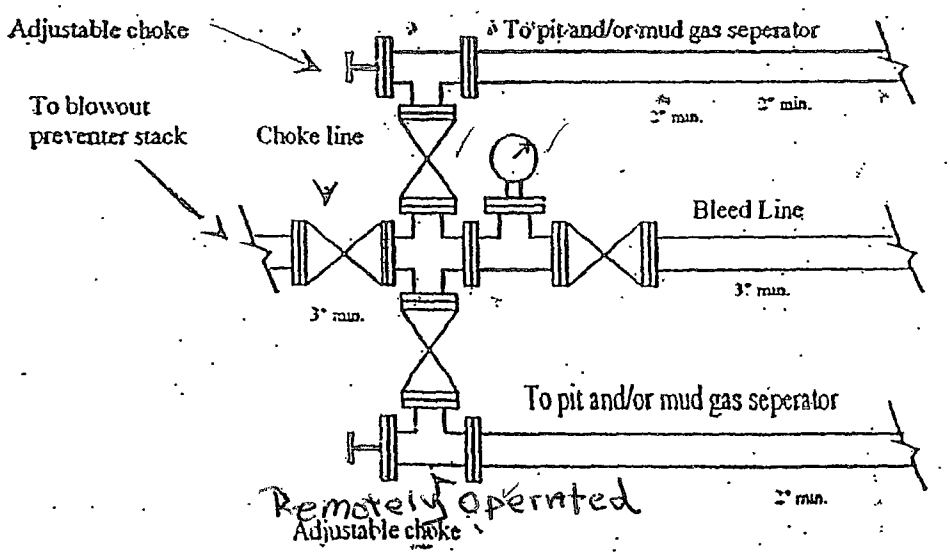
BOP-3

Exhibit

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



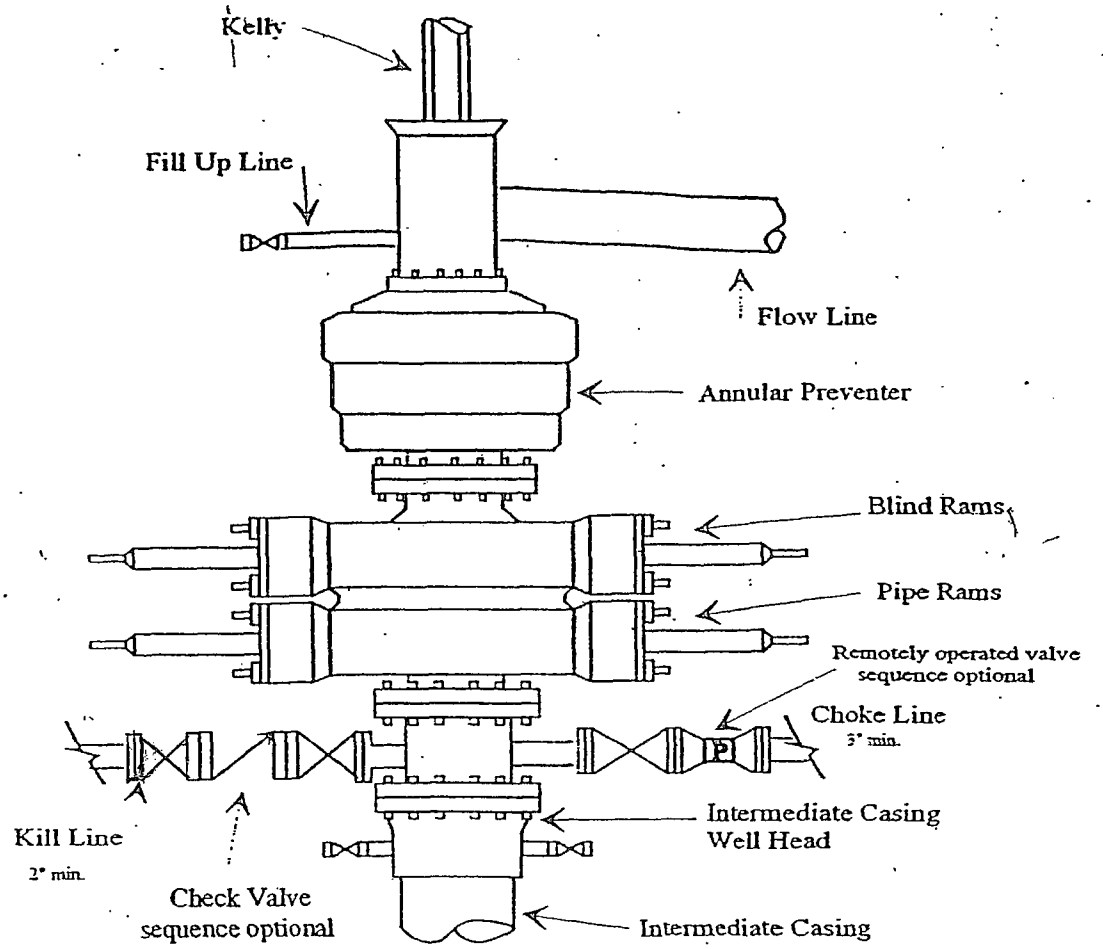
Typical 3,000 psi choke manifold assembly with at least these minimun features



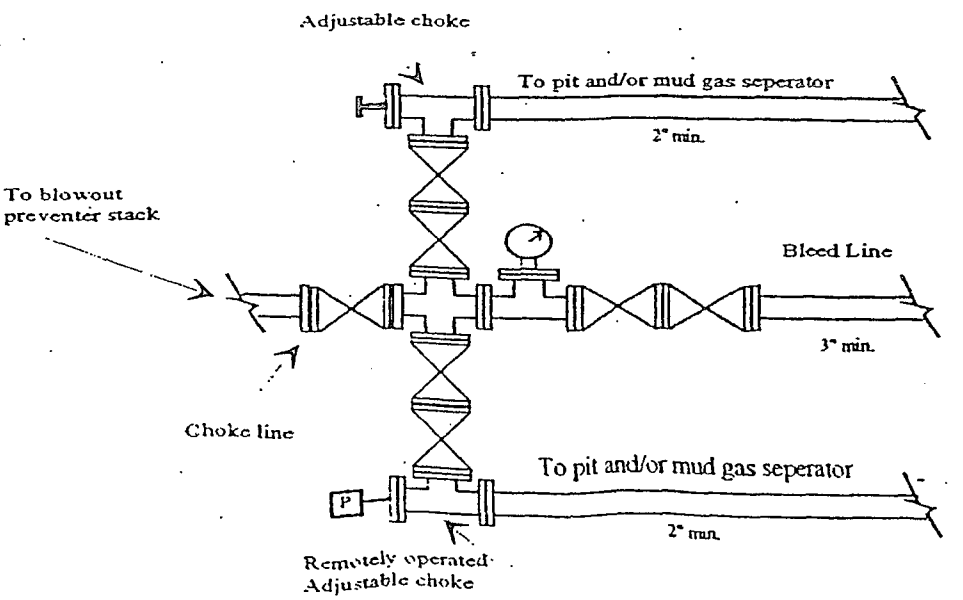
Yates Petroleum Corporation

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

Exhibit

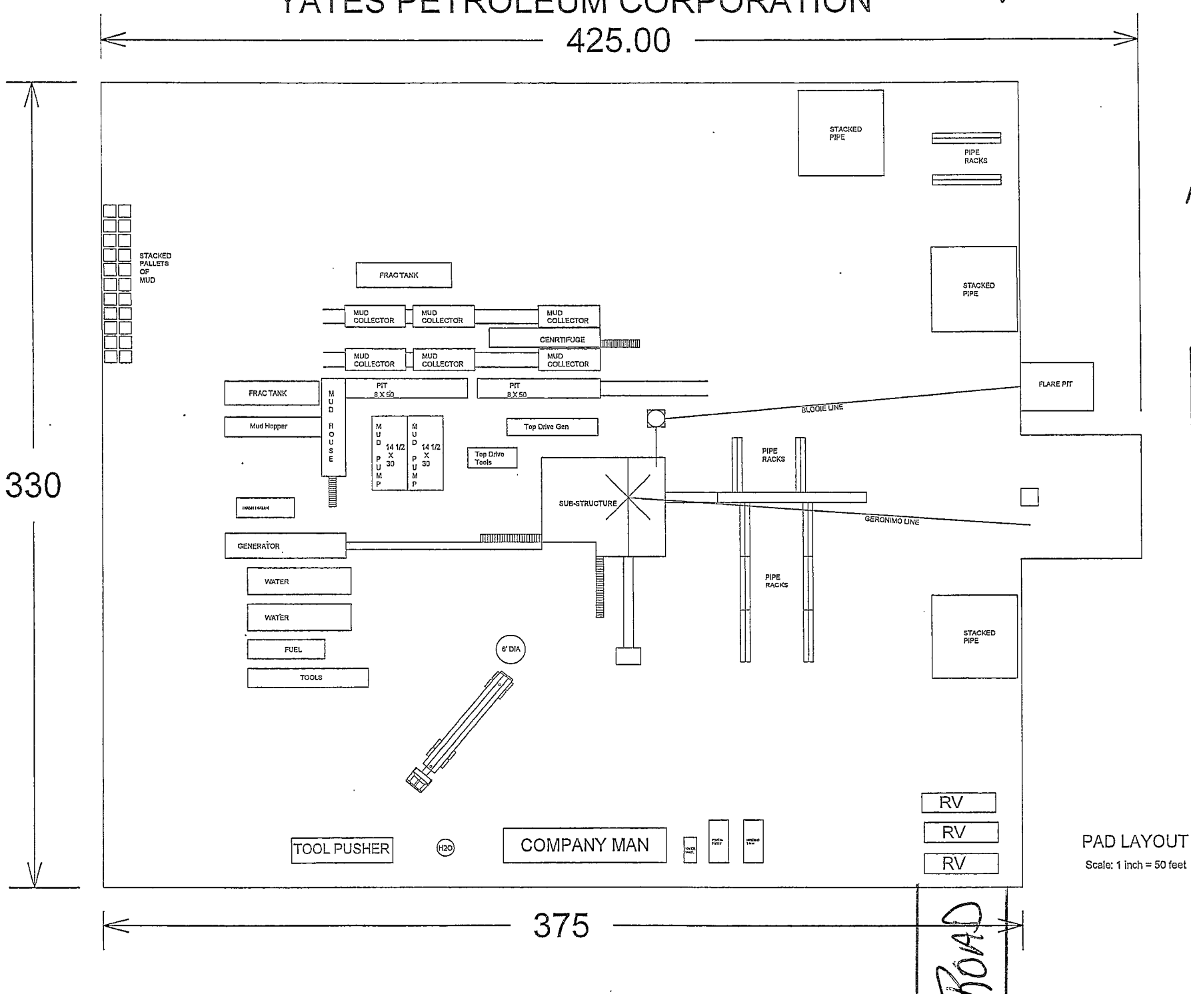


Typical 5,000 psi choke manifold assembly with at least these minimun features



Exhibit

YATES PETROLEUM CORPORATION

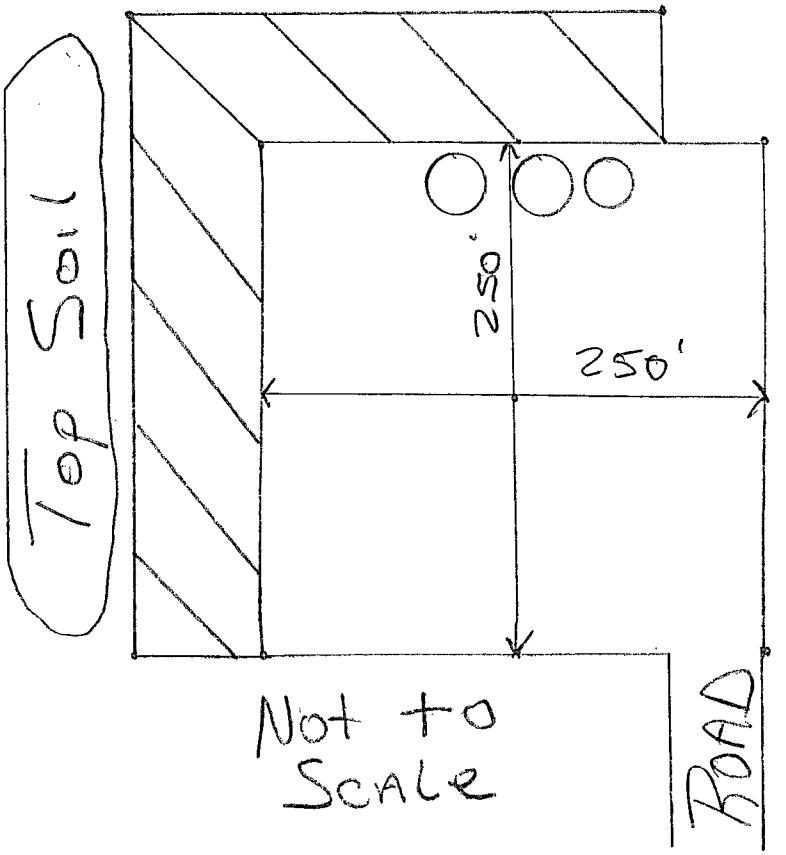


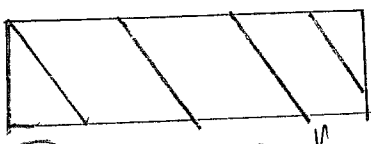
PAD LAYOUT

Scale: 1 inch = 50 feet

Parsley ARA
Federal Com.
4H

Reclamation Plat





~~Possible~~ 7-17-2013
Reclaimed
Area