13-515

Form 3160-3
(March 2012)

OCD Hobbs
HOBBS OCD
FEB 25 2014
RECEIVED

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

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

NORTHODOX LOCATION

APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of work: ☑ DRILL ☐ REENTER	5. Lease Serial No. NM-88164 & LC-063228
	6. If Indian, Allotee or Tribe Name N/A
	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 Com #5-H (40117)
2. Name of Operator YATES PETROLEUM CORPORATION (25575)	9. API Well No. 30-025-41686
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. M, 200 FSL & 330' FWL, Section 26, T23S-R32E, SWSW; At proposed prod. zone Ut. Ltr. D, 330' FNL & 660' FWL, Section 26, T23S-R32E, NWNW	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~~ 160 ac.	17. Spacing Unit dedicated to this well W2W2 Sec. 26, T25S-R32E
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. Approx. 1700'	19. Proposed Depth 10883' TVD 15430 MD	20. BLM/BIA Bond No. on file Nationwide Bond #NM-B000434 Individual Bond NMB000920
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3660 GL	22. Approximate date work will start* 09/09/2013	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 7/25/2013
Title Land Regulatory Agent		
Approved by (Signature) /S/ STEPHEN J. CAFFEY	Name (Printed/Typed)	Date FEB 19 2014
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

KZ 02/26/14

SEE ATTACHED FOR CONDITIONS OF APPROVAL

Approval Subject to General Requirements & Special Stipulations Attached

FEB 27 2014

PM

YATES PETROLEUM CORPORATION
Parsley ARA Federal Com #5-H
200' FSL and 3300' FWL, Section 26-T23S-R32E, Surface Hole Location
330' FNL and 660' FWL, 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	1193'	Avalon Sand	8868'-Oil
Top of Salt	1673'	1st Bone Springs	9933'-Oil
Bottom of Salt	4683'	2nd Bone Springs	10611'-Oil
Lamar	4933'	Target Zone SBSG	11141'-Oil
Bell CanyonTop of Delaware	4983'-Oil	TD	15430'
Cherry Canyon	5828'-Oil		
Brushy Canyon	7183'-Oil		
Bone Springs LM	8763'		

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-~~1220'~~ 1315	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'~~ 4850'	1000'

8 3/4"	5 1/2"	17#	P-110	Buttress	0'-11141'	11141'
8 1/2"	5 1/2"	17#	P-110	Buttress	11141'-15430'	4289'

Hole will be drilled vertically to 10392'. Well will then kicked off at approximately 10392' . Well will then be directionally drilled at 12 degrees per 100' with a 8 ¾" hole to 11141' MD (10870' TVD). At this point, reduce the hole size to 8 ½" and drill to 15430' MD (10883' TVD) where 5 ½" casing will be set and cemented to surface in three stages with a DV/Stage Packer tool from 9875'-10375' and 6850'-7350' (Cement volumes will be adjusted proportionately if DV tool is moved). Penetration point of the of the producing zone will be encountered at 805' FSL & 690' FWL, 26-23S-31E. Deepest TVD in the well in lateral is 10883'.

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 9875'-10375' and 6850'-7350'. Cement calculations are based on 10375' and 7100'.

Stage One: 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 10375'.

Stage Two: Lead with 485 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

See COA

6. MUD PROGRAM AND AUXILIARY EQUIPMENT:

Interval	Type	Weight	Viscosity	Fluid Loss
0-~~1220'~~ 1315'	Fresh Water	8.60-9.20	28-34	N/C
~~1220'-5100'~~ 4850'	Brine Water	10.00-10.20	28-29	N/C
~~5100'~~-11141'	Cut Brine	8.80-9.00	32-34	N/C
11141-15430' 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 10883'	5230 PSI

Abnormal Pressures Anticipated: None
Lost Circulation Zones Anticipated: None.
H2S Zones Anticipated: None Anticipated
Maximum Bottom Hole Temperature: 150 F
H2S is not anticipated

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.

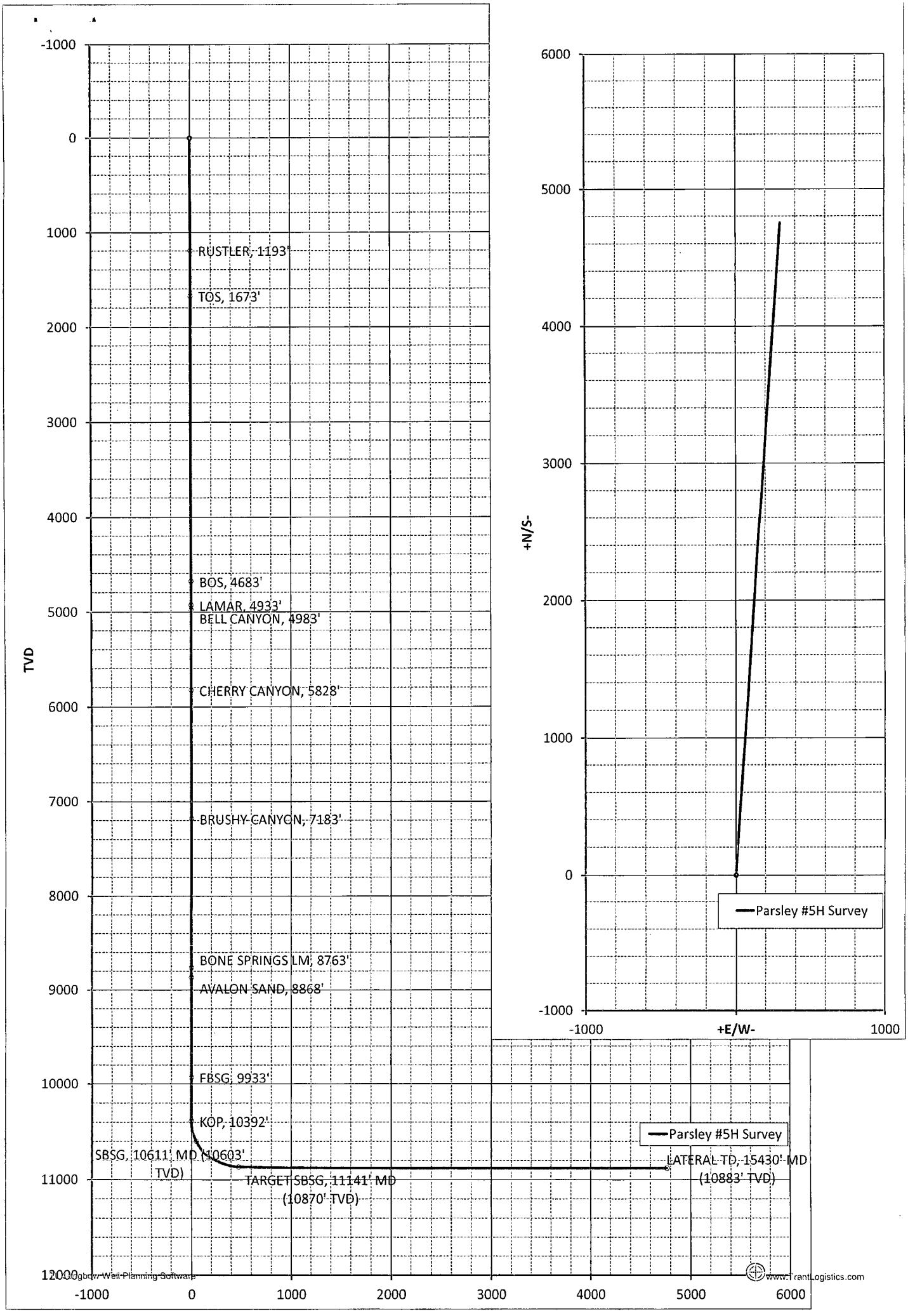
Operator Co.

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 #5H 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@3.61	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'									
5828.00	0.00	0.00	5828.00	0.01	0.00	0.01	0.00	0.00	0.00
5828: CHERRY CANYON, 5828'									
7183.00	0.00	0.00	7183.00	0.01	0.00	0.01	0.00	0.00	0.00
7183: BRUSHY CANYON, 7183'									
8763.00	0.00	0.00	8763.00	0.01	0.00	0.01	0.00	0.00	0.00
8763: BONE SPRINGS LM, 8763'									
8868.00	0.00	0.00	8868.00	0.01	0.00	0.01	0.00	0.00	0.00
8868: AVALON SAND, 8868'									
9933.00	0.00	0.00	9933.00	0.01	0.00	0.01	0.00	0.00	0.00
9933: FBSG, 9933'									
10392.06	0.00	3.61	10392.06	0.01	0.00	0.01	0.00	0.03	0.00
10392.06: KOP, 10392'									
10400.00	0.95	3.61	10400.00	0.07	0.00	0.08	12.00	0.00	12.00
10500.00	12.95	3.61	10499.08	12.13	0.76	12.16	12.00	0.00	12.00
10600.00	24.95	3.61	10593.49	44.49	2.81	44.58	12.00	0.00	12.00
10610.55	26.22	3.61	10603.00	49.03	3.09	49.13	12.00	0.00	12.00
10610.55: SBSG, 10611' MD (10603' TVD)									
10700.00	36.95	3.61	10679.09	95.72	6.04	95.91	12.00	0.00	12.00
10800.00	48.95	3.61	10752.15	163.60	10.32	163.93	12.00	0.00	12.00
11140.56	89.82	3.61	10869.53	475.03	29.96	475.97	12.00	0.00	12.00
11140.56: TARGET SBSG, 11141' MD (10870' TVD)									
15429.53	89.82	3.61	10883.01	4755.47	299.93	4764.92	0.00	0.00	0.00
15429.53: LATERAL TD, 15430' MD (10883' TVD)									

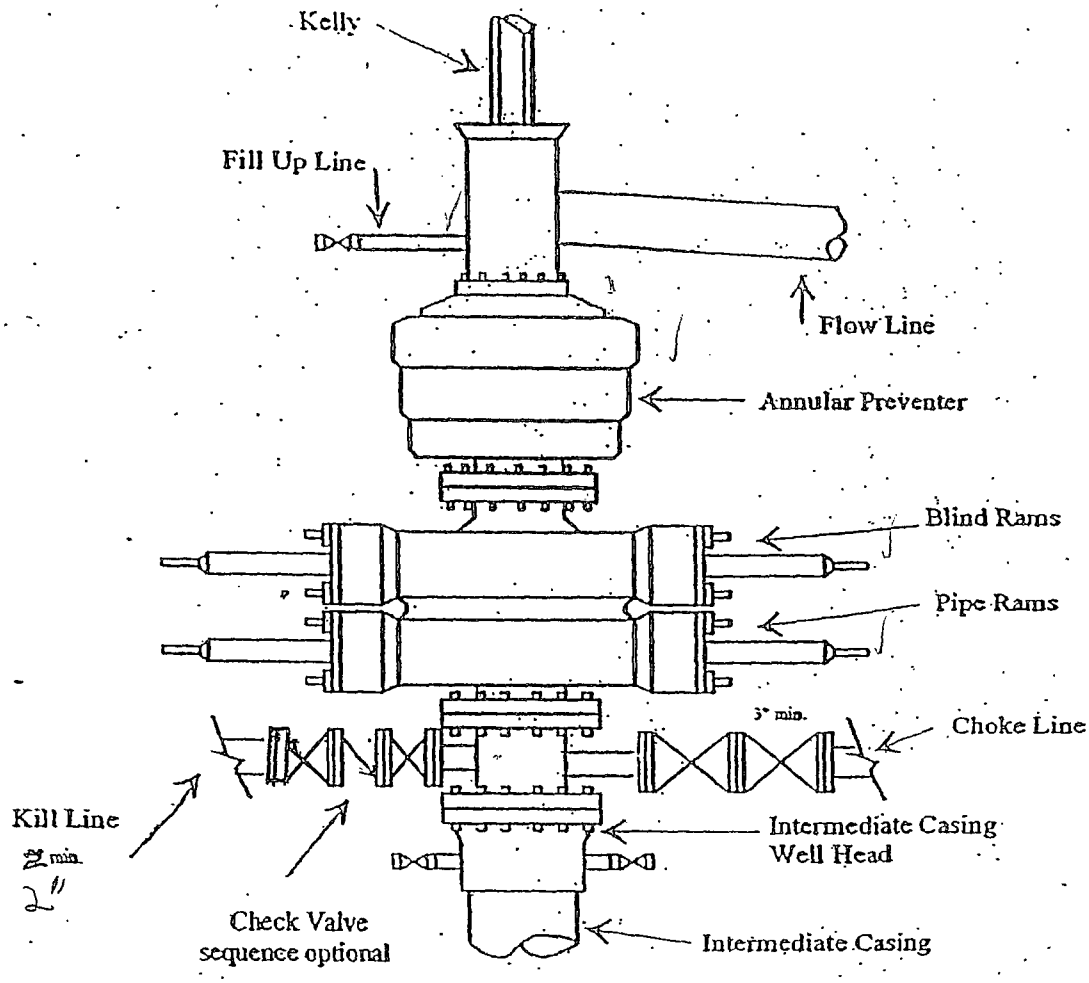

-1000
0
1000
2000
3000
4000
5000
6000
7000
8000
9000
10000
11000
12000
TVD
RUSTLER, 1193'
TOS, 1673'
BOS, 4683'
LAMAR, 4933'
BELL CANYON, 4983'
CHERRY CANYON, 5828'
BRUSHY CANYON, 7183'
BONE SPRINGS LM, 8763'
AVALON SAND, 8868'
FBSG, 9933'
KOP, 10392'
SBSG, 10611' MD (10603' TVD)
TARGET SBSG, 11141' MD (10870' TVD)
LATERAL TD, 15430' MD (10883' TVD)
Parsley #5H Survey
-1000
0
1000
2000
3000
4000
5000
6000
+E/W-
+N/S-
Parsley #5H Survey
Logbow Well Planning Software
www.TrantLogistics.com

Exhibit

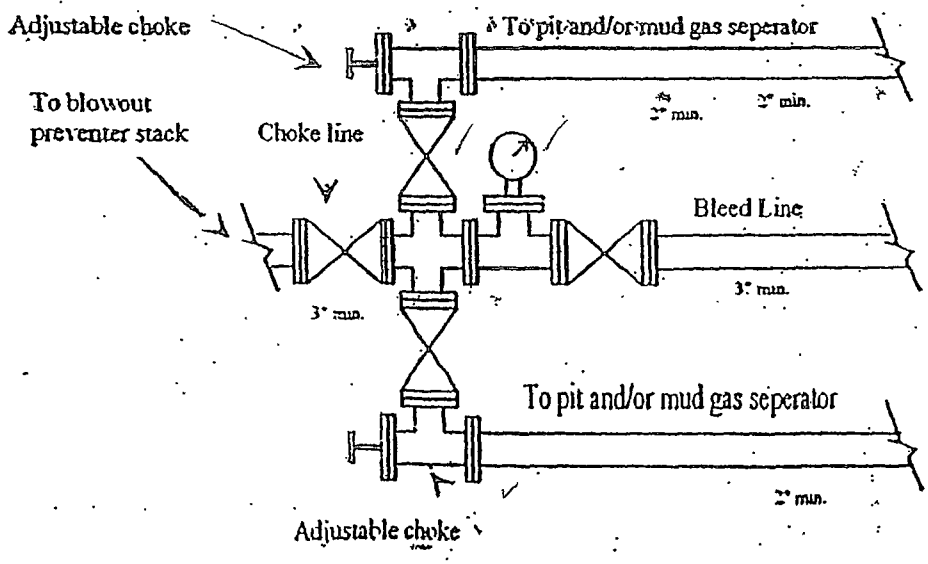
BOP-3

Yates Petroleum Corporation

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

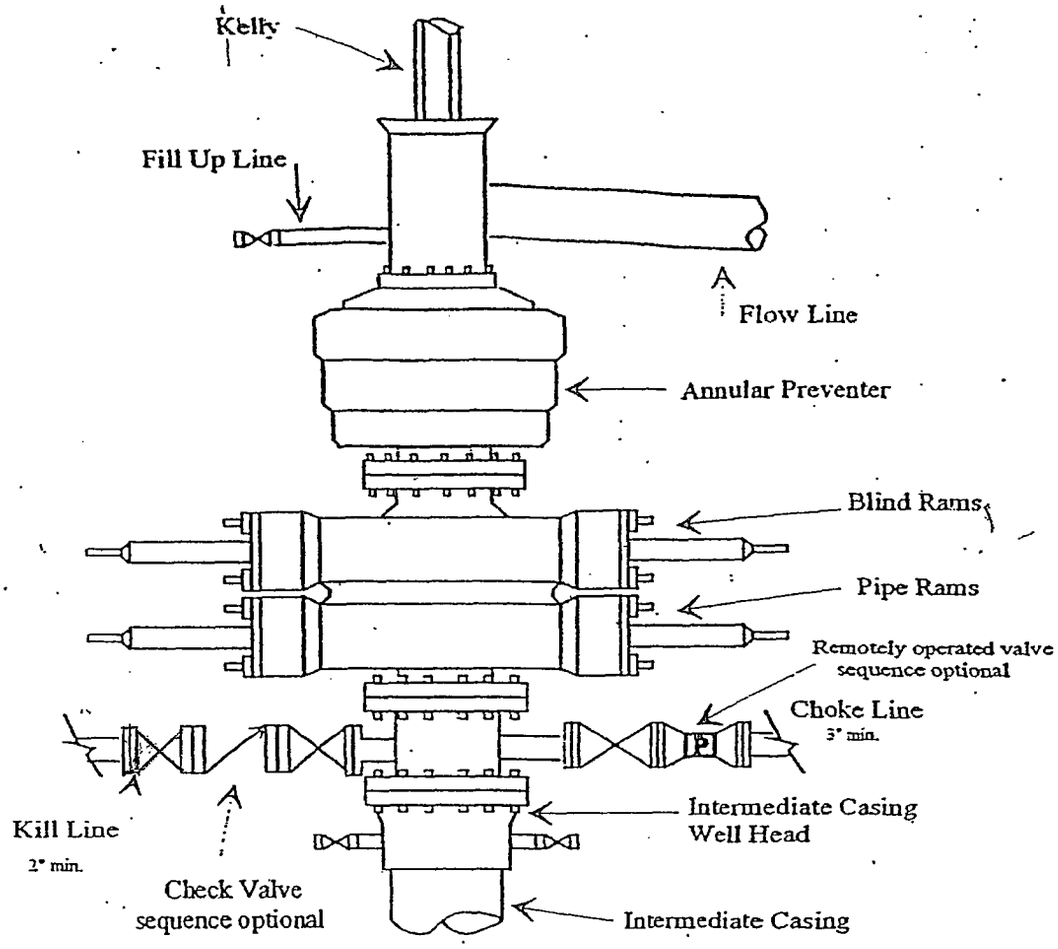


BOP-4

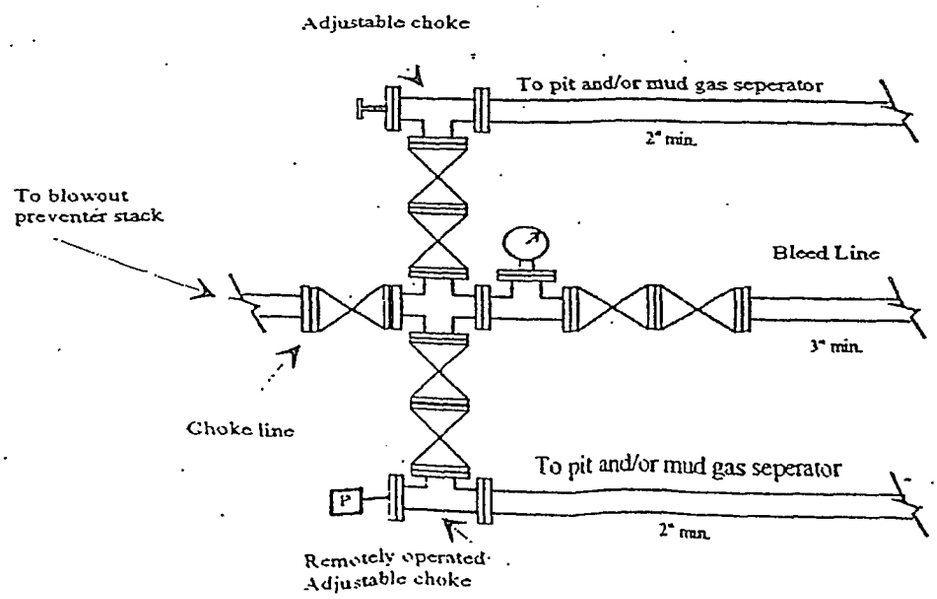
Exhibit

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



DIVERSION FLOW LINE

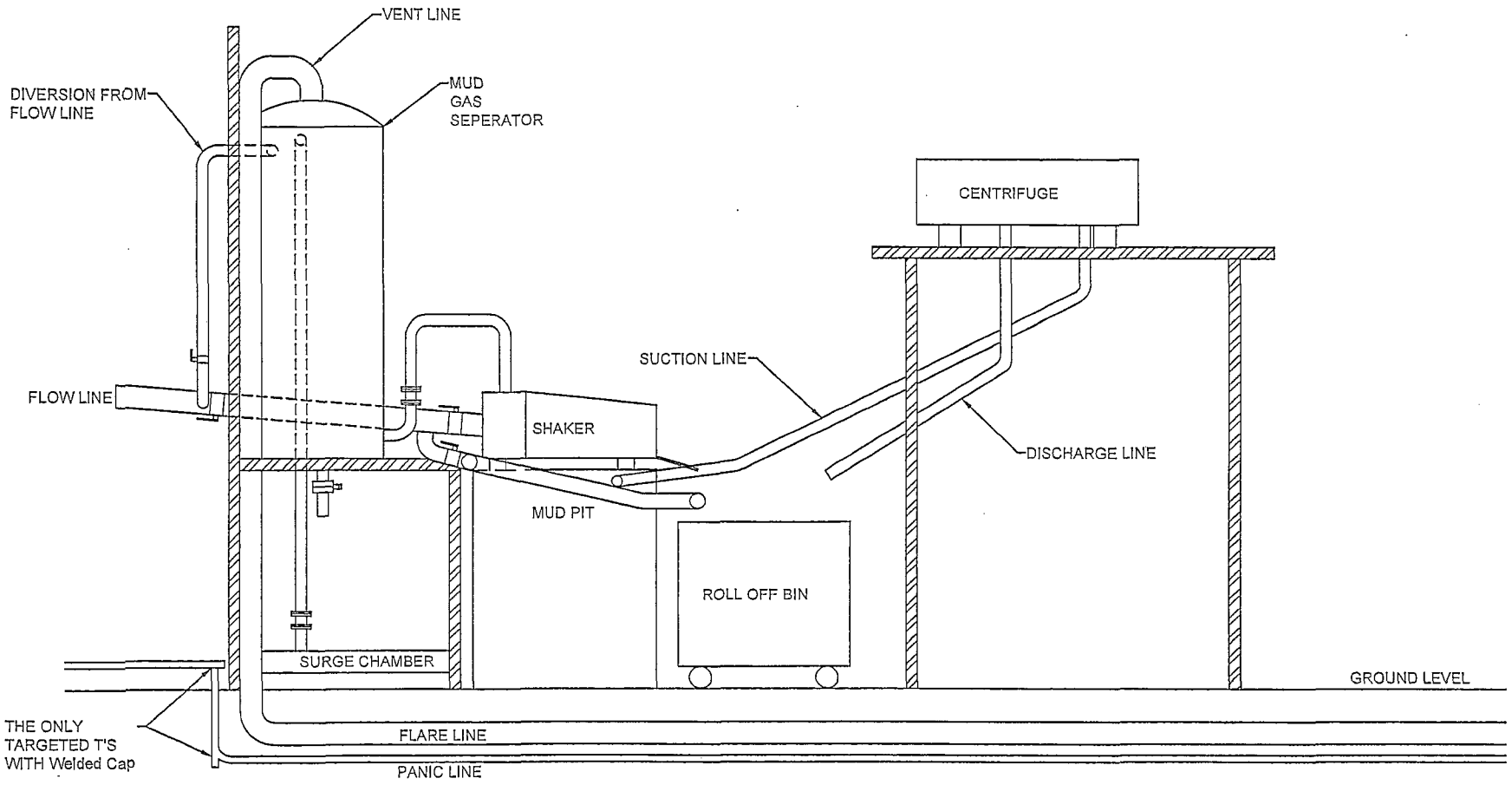
FLOW LI

THE ONLY TARGETED WITH Welde

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

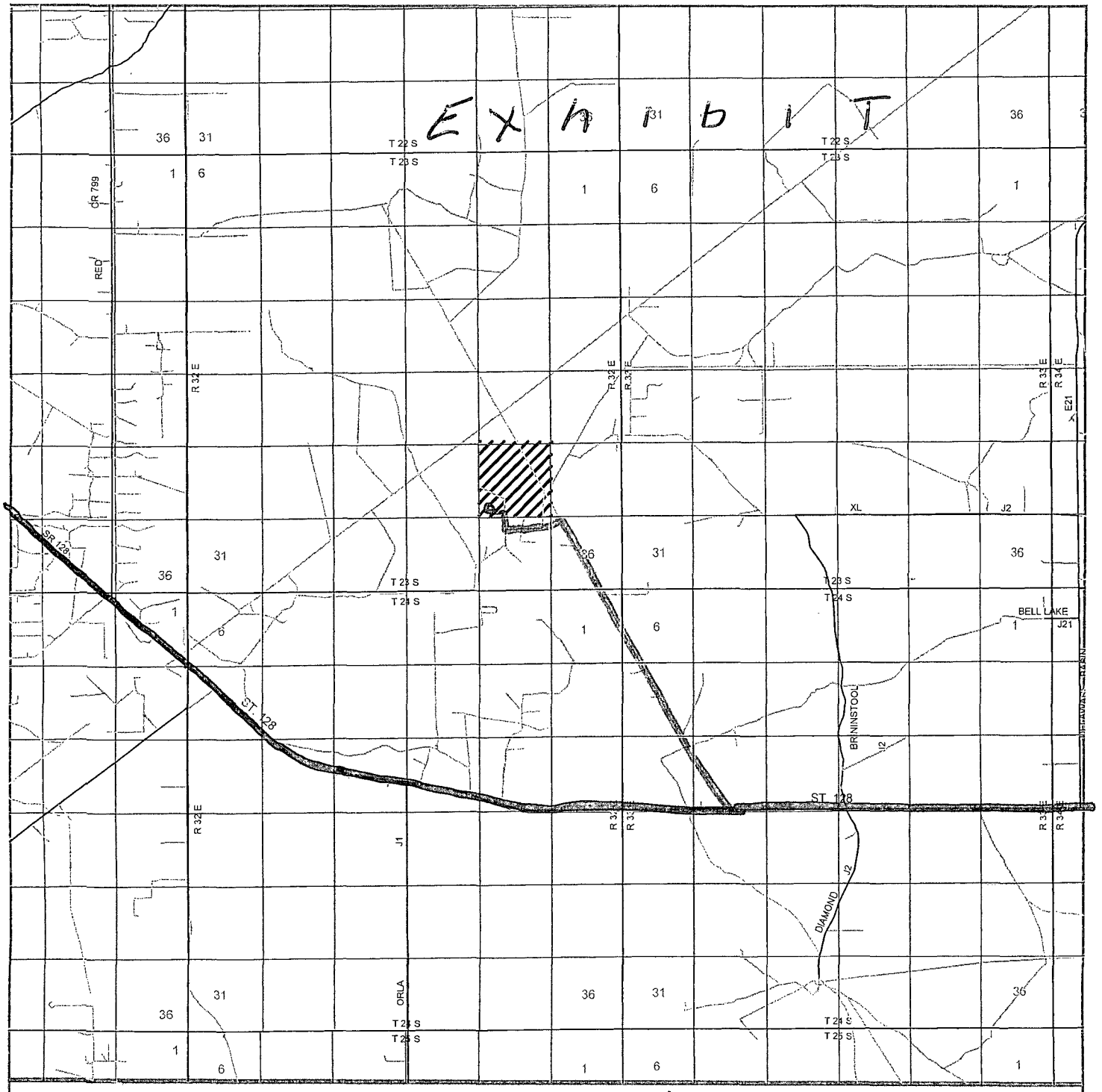
Closed Loop System will consist of:
1 – double panel shale shaker
1 – (minimum) Centrifuge, certain wells and flow rates may require 2 centrifuges
On certain wells, the Centrifuge will be replaced by a Clackco Settling Tank System
1 – minimum centrifugal pump to transfer fluids
2- 500 bbl. FW Tanks
1 – 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.



PARSLEY ARA FEDERAL COM #5H Location Access Road to State Highway
Located 200' FSL and 330' FWL
Section 26, Township 23 South, Range 32 East,
N.M.P.M., LEA County, New Mexico.

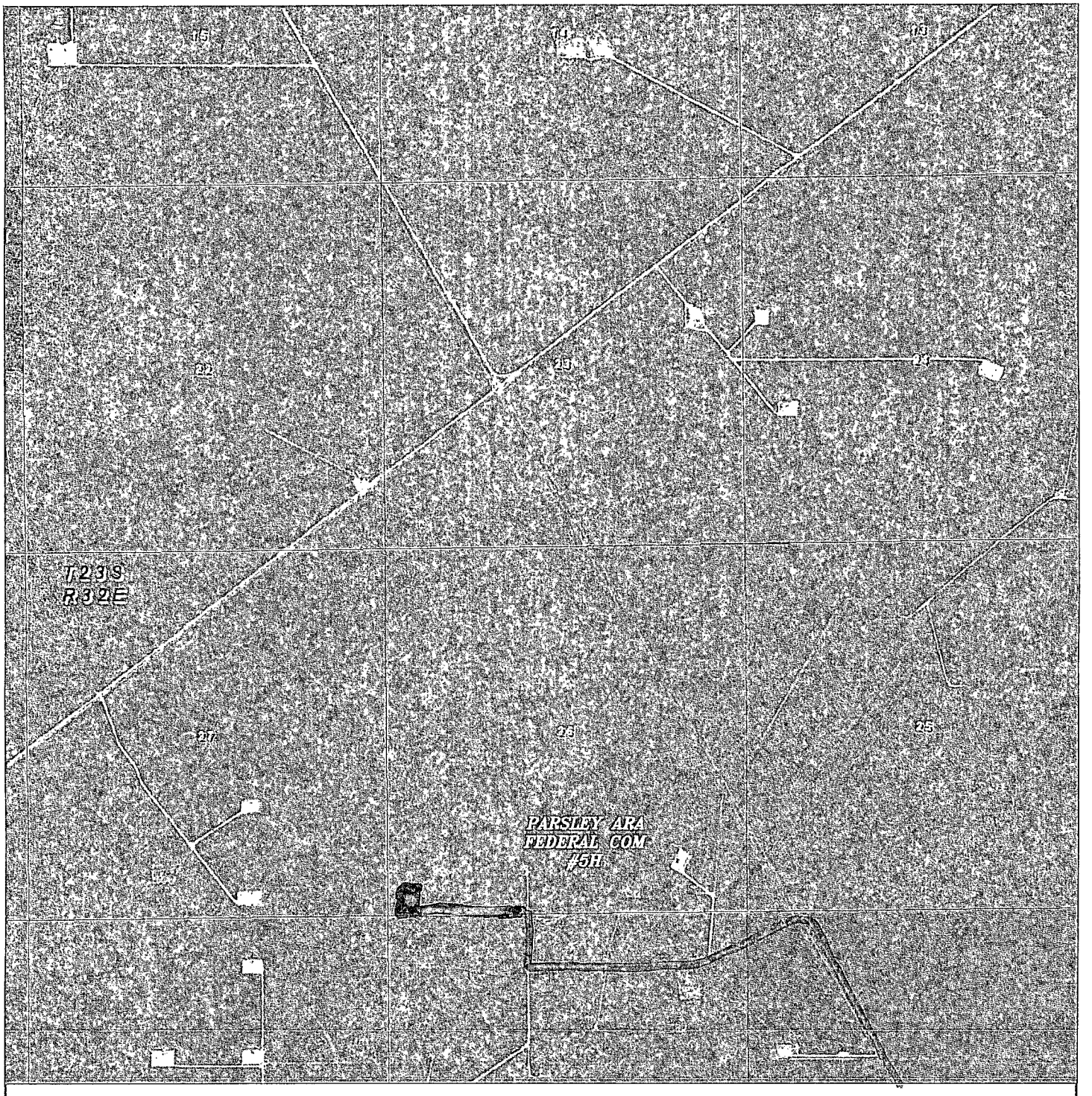
basin surveys
focused on excellence in the oilfield

P.O. Box 1786
1120 N. West County Rd.
Hobbs, New Mexico 88241
(575) 393-7316 - Office
(575) 392-2206 - Fax
basinsurveys.com

W.O. Number: DAJ 28124
Survey Date: 02-15-2013
Scale: 1" = 2 Miles
Date: 02-18-2013

N

YATES PETROLEUM CORP.



PARSLEY ARA FEDERAL COM #5H
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W.O. Number: DAJ 28124

Scale: 1" = 2000'

YELLOW TINT – USA LAND
BLUE TINT – STATE LAND
NATURAL COLOR – FEE LAND

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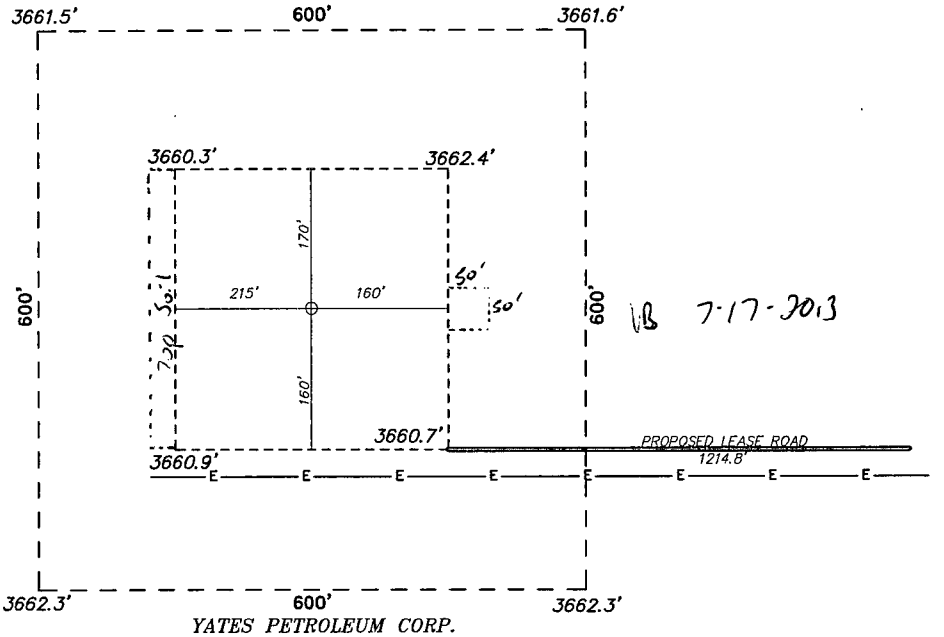
YATES PETROLEUM CORP.

SECTION 26, TOWNSHIP 23 SOUTH, RANGE 32 EAST, N.M.P.M.,
LEA COUNTY, NEW MEXICO.



YATES PETROLEUM CORP.
PARSLEY ARA FEDERAL COM #5H
ELEV. – 3660'

SURFACE LOCATION
Lat – N 32°16'08.26"
Long – W 103°39'10.32"
NMSPCE– N 462248.53
E 751657.88
(NAD–83)

VB 7-17-2013

200 0 200 400 FEET
SCALE: 1" = 200'

DRIVING DIRECTIONS

FROM BRINNSTOL ROAD AND HIGHWAY 128 GO WEST 1.5 MILES THEN TURN NORTH GO 5 MILES THEN TURN WEST GO .7 MILES THEN TURN NORTH GO .1 MILE TO PROPOSED LEASE ROAD.

YATES PETROLEUM CORP.

REF: PARSLEY ARA FEDERAL COM #5H / WELL PAD TOPO

THE PARSLEY ARA FEDERAL COM #5H LOCATED 200' FROM THE SOUTH LINE AND 330 FROM THE WEST LINE OF SECTION 26, TOWNSHIP 23 SOUTH, RANGE 32 EAST, N.M.P.M., LEA COUNTY, NEW MEXICO.

BASIN SURVEYS P.O. BOX 1786 – HOBBS, NEW MEXICO

W.O. Number: 28124	Drawn By: D. JONES		
Date: 02–18–2013	Disk: DAJ 28124	Survey Date: 02–15–2013	Sheet 1 of 1 Sheets