

District I
1625 N French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 S St Francis Dr, Santa Fe, NM 87505

State of New Mexico
Energy Minerals and Natural Resources

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Form C-101
May 27, 2004

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

Submit to appropriate District Office

AMENDED REPORT

HOBBS OCD

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE

| | | |
|---|--|---|
| ¹ Operator Name and Address Yates Petroleum Corporation 105 S. 4 th Street Artesia, NM 88210 | | ² OGRID Number 025575 |
| | | ³ API Number 30-005-21162 |
| ⁴ Property Code 26435 | ⁵ Property Name Tres Canal BAL State | ⁶ Well No. 1 |
| ⁹ Proposed Pool 1 Upper Tobac, Penn | | ¹⁰ Proposed Pool 2 |

7 Surface Location

| | | | | | | | | | |
|-------------------|---------------|----------------|--------------|---------|-----------------------|---------------------------|-----------------------|------------------------|------------------|
| UL or lot no K | Section 26 | Township 8S | Range 33E | Lot Idn | Feet from the 1980 | North/South line South | Feet from the 1980 | East/West line West | County Chaves |
|-------------------|---------------|----------------|--------------|---------|-----------------------|---------------------------|-----------------------|------------------------|------------------|

8 Proposed Bottom Hole Location If Different From Surface

| | | | | | | | | | |
|--------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| UL or lot no | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|--------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|

Additional Well Information

| | | | | |
|--|-------------------------------------|--|------------------------------------|--|
| ¹¹ Work Type Code P | ¹² Well Type Code O | ¹³ Cable/Rotary N/A | ¹⁴ Lease Type Code S | ¹⁵ Ground Level Elevation 4347' GR |
| ¹⁶ Multiple N | ¹⁷ Proposed Depth N/A | ¹⁸ Formation Mississippian | ¹⁹ Contractor N/A | ²⁰ Spud Date ASAP |
| Depth to Groundwater | | Distance from nearest fresh water well | | Distance from nearest surface water |
| Pit: Liner: Synthetic <input type="checkbox"/> _____ mils thick Clay <input type="checkbox"/> Pit Volume: _____ bbls Drilling Method: _____ Closed-Loop System <input checked="" type="checkbox"/> Fresh Water <input type="checkbox"/> Brine <input type="checkbox"/> Diesel/Oil-based <input type="checkbox"/> Gas/Air <input type="checkbox"/> | | | | |

21 Proposed Casing and Cement Program

| | | | | | |
|-----------|-------------|--------------------|---------------|-----------------|---------------|
| Hole Size | Casing Size | Casing weight/foot | Setting Depth | Sacks of Cement | Estimated TOC |
| | | IN PLACE | | | |
| | | | | | |
| | | | | | |

²² Describe the proposed program. If this application is to DEEPEN or PLUG BACK, give the data on the present productive zone and proposed new productive zone. Describe the blowout prevention program, if any Use additional sheets if necessary.

Yates Petroleum Corporation plans to plugback and recomple this well as follows: Set a composite plug at 10,460'. Perforate Bough C 9288'-9291' (8) and 9296'-9303' (16). Stimulate as needed. YPC will go back and drill the composite plug at a later date if we decide to commingle the Morrow gas with the Bough C oil and have DHC approval.

**Permit Expires 2 Years From Approval
Date Unless Drilling Underway**

Plugback

²³ I hereby certify that the information given above is true and complete to the best of my knowledge and belief. I further certify that the drilling pit will be constructed according to NMOCD guidelines ☐, a general permit ☐, or an (attached) alternative OCD-approved plan ☐.

Signature: Tina Huerta

Printed name: Tina Huerta

Title: Regulatory Compliance Supervisor

E-mail Address: tina@ypcnm.com

Date: May 19, 2008

Phone: 575-748-4168

OIL CONSERVATION DIVISION

Approved by:

[Signature]

Title: PETROLEUM ENGINEER

Approval Date: JUN 17 2008

Expiration Date:

Oil Conservation Division

Conditions of approval: Approval for drilling/workover ONLY--- CANNOT produce Downhole Commingled until DHC is approved in Santa Fe.

WELL LOCATION AND ACREAGE DEDICATION PLAT

| | | | | | |
|---|--|---|--|---------------------------------------|-----------------------------------|
| ¹ API Number 30-005-21162 | | ² Pool Code 59350 | | ³ Pool Name Tobac; Penn | |
| ⁴ Property Code 26435 | | ⁵ Property Name Tres Canal BAL State | | | ⁶ Well Number 1 |
| ⁷ OGRID No. 025575 | | ⁸ Operator Name Yates Petroleum Corporation | | | ⁹ Elevation 4347'GR |

¹⁰ Surface Location

| | | | | | | | | | |
|--------------------|---------------|----------------|--------------|---------|-----------------------|---------------------------|-----------------------|------------------------|------------------|
| UL or lot no. K | Section 26 | Township 8S | Range 33E | Lot Idn | Feet from the 1980 | North/South line South | Feet from the 1980 | East/West line West | County Chaves |
|--------------------|---------------|----------------|--------------|---------|-----------------------|---------------------------|-----------------------|------------------------|------------------|

¹¹ Bottom Hole Location If Different From Surface

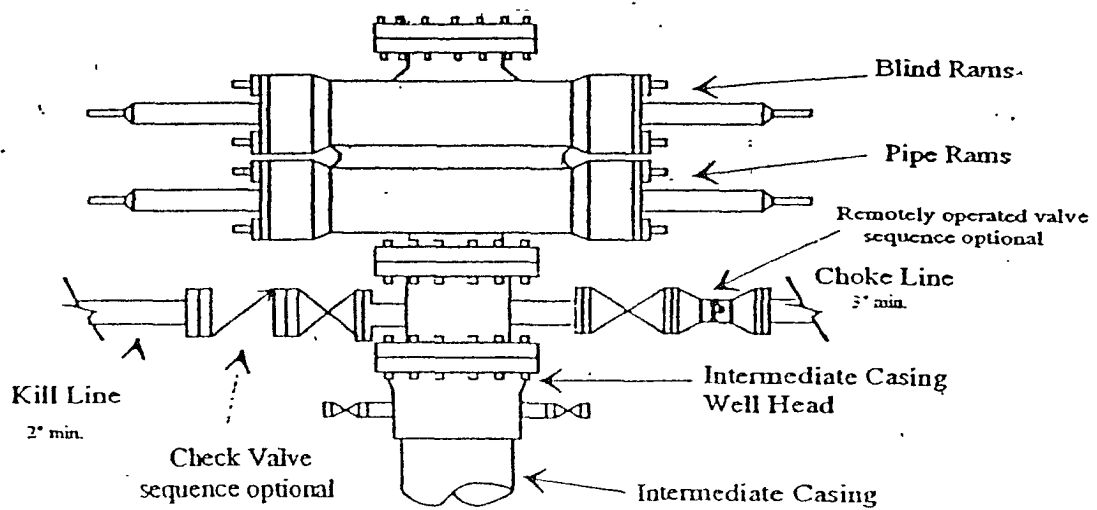
| | | | | | | | | | |
|-------------------------------------|---------|-------------------------------|-------|----------------------------------|---------------|-------------------------|---------------|----------------|--------|
| UL or lot no. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
| ¹² Dedicated Acres 80 | | ¹³ Joint or Infill | | ¹⁴ Consolidation Code | | ¹⁵ Order No. | | | |

No allowable will be assigned to this completion until all interests have been consolidated or a non-standard unit has been approved by the division.

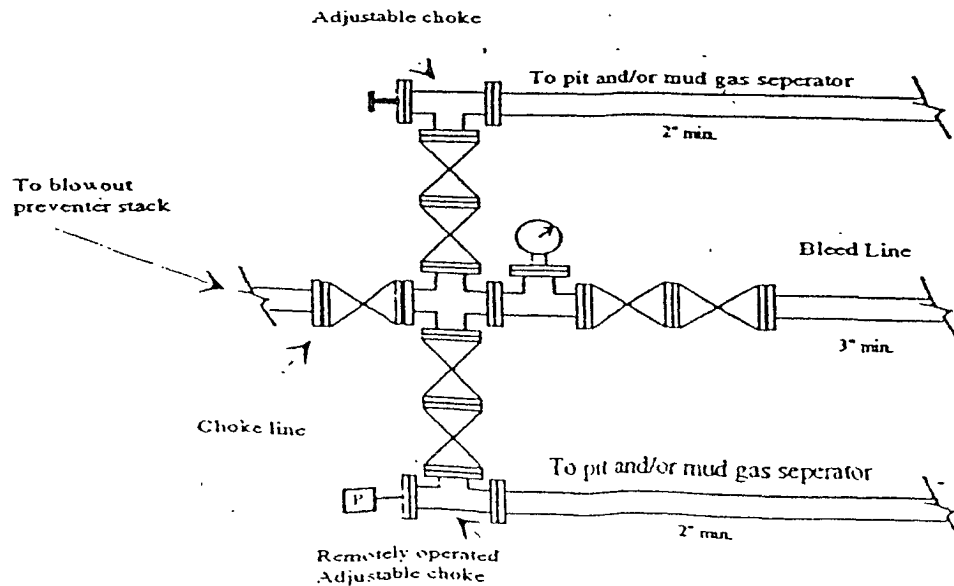
| | | | | | | | |
|--|--|--|--|--|--|--|--|
| <div> <div>16</div> <div> <div>RECEIVED</div> <div>MAY 19 2008</div> <div>HOBBS OCD</div> </div> </div> | | | | <div> <div>¹⁷ OPERATOR CERTIFICATION</div> <div> I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division. </div> <div> <div> <div> <div>Signature</div> <div>Tina Huerta</div> </div> <div> <div>May 19, 2008</div> <div>Date</div> </div> </div> <div> <div>Printed Name</div> <div></div> </div> </div> </div> | | | |
| <div> <div> <div>1980'W</div> <div>1980'S</div> </div> <div> <div>RECEIVED</div> <div>MAY 19 2008</div> <div>HOBBS OCD</div> </div> </div> | | | | <div> <div>¹⁸ SURVEYOR CERTIFICATION</div> <div> I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief. </div> <div> <div>Date of Survey</div> <div>Signature and Seal of Professional Surveyor</div> </div> <div> <div>Certificate Number</div> <div></div> </div> </div> | | | |

Yates Petroleum Corporation

Typical 3,000 psi Pressure System Schematic

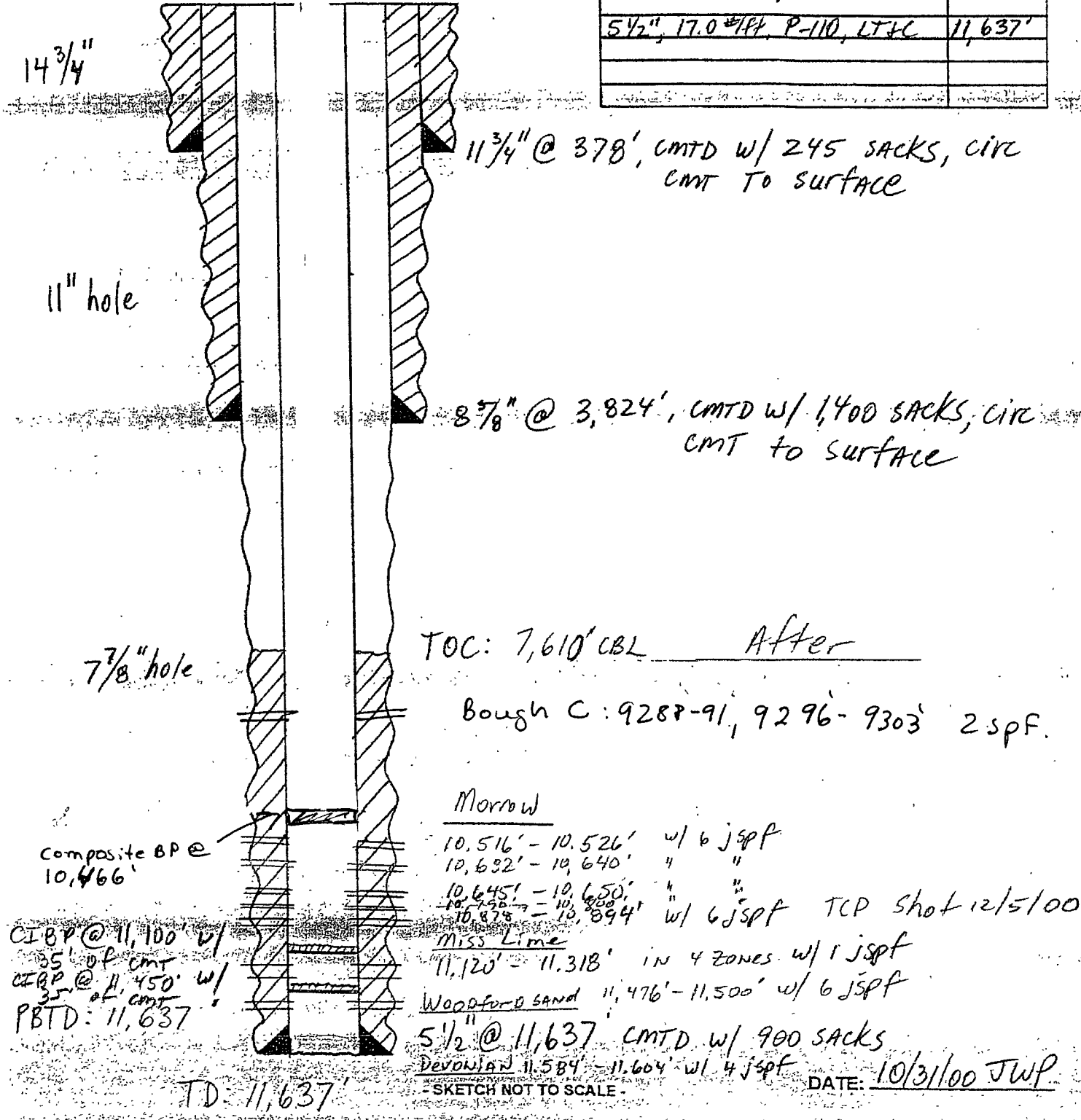


Typical 3,000 psi choke manifold assembly with at least these minimum features



WELLNAME: Tres Canal Unit #1 FIELD: Wildcat
 LOCATION: 1980' FSL + 1980' FWL Sec 26 T8S, R33S Chaves Co, NM
 GL: 4347 ZERO: _____ AGL: _____ KB: 4364
 SPUD DATE: 8/31/00 COMPLETION DATE: _____
 COMMENTS: _____

| CASING PROGRAM | |
|-----------------------------|-----------|
| SIZE/WT/GR/CONN | DEPTH SET |
| 11 3/4" 42.0 #/ft H-40 STLC | 378' |
| 8 5/8" 32.0 #/ft J-55 STLC | 3,824' |
| 5 1/2" 17.0 #/ft P-110 LTLC | 11,637' |
| | |
| | |



MARTIN YATES, III
1912-1985

FRANK W. YATES
1936-1986



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210-2118
TELEPHONE (575) 748-1471

S.P. YATES
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DIRECTOR

May 19, 2008

Oil Conservation Division, District II Office
1301 W. Grand Ave.
Artesia, NM 88210

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MAY 20 2008

HOBBS OCD

Re: Tres Canal BAL State #1
Section 26-T8S-R33E
Chaves County, New Mexico
H2S Contingency Plan

Sources at Yates Petroleum Corporation have relayed information to me that they believe there will not be enough H2S anticipated from the surface to the Penn formation to even meet the OCD's minimum requirements for the submission of a contingency plan per Rule 118.

Thank you,

YATES PETROLEUM CORPORATION

Tina Huerta
Regulatory Compliance Supervisor