New Mexico Oil Conservation Division, District I
1625 N. French Drive
Hobbs, NM 88240

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Form 3160-3
(August 2007)

FORM APPROVED
OMB NO. 1004-0137
Expires: July 31, 2010

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

5. Lease Serial No: **Fee & NM-105886**

6. If Indian, Allottee or Tribe Name: **N/A**

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

1a. Type of Work: [x] DRILL [ ] REENTER

1b. Type of Well: [X] Oil Well [ ] Gas Well [ ] Other [ ] Single Zone [ ] Multiple Zone

8. Lease Name and Well No.: **Derbi BOD Com #1H** (37703)

2. Name of Operator: **Yates Petroleum Corporation** (025575)

9. API Well No: **30-005-29094**

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

3b. Phone No. *(include area code)*: **505-748-1471**

10. Field and Pool, or Exploratory: **Wildcat Abo** - WC

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

At surface: **330' FSL & 350' FEL, Sec.9-15S-31E, UL P, SESE**

At proposed prod zone: **950' FSL & 330' FWL, Sec. 9-15S-31E,UL M, SWSW**

11. Sec., T., R., M., or Blk And Survey or Area: **Section 9-T15S-R31E**

14. Name of Operator: **Yates Petroleum Corporation 025575**

12. County or Parish: **Chaves**

13. State: **NM**

15. Distance from proposed* location to nearest property or lease line, ft (Also to nearest drlg unit line, if any)	16. No. of acres in lease	17. Spacing Unit dedicated to this well
330'	560.00	S2S2
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft	**19. Proposed Depth**	**20. BLM/ BIA Bond No. on file**
None	TVD-8877' MD-13177'	NATIONWIDE BOND #NMB000434
21. Elevations (Show whether DF, KDB, RT, GL, etc.)	**22. Aproximate date work will start***	**23. Estimated duration**
4418' GL	ASAP	45 days

24. Attachments

ROSWELL CONTROLLED WATER BASIN

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No. 1 shall 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 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)*	Date
Cy Cowan	Cy Cowan	3/25/2009

Title: **Regulatory Agent**

Approved By *(Signature)*	Name *(Printed/ Typed)*	Date
/S/ Angel Mayes	Angel Mayes	MAY 04 2009
Title: **Assistant Field Manager, Lands And Minerals**	Office: **ROSWELL FIELD OFFICE**	APPROVED FOR 2 YEARS

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 cc operations thereon

Conditions of approval, if any, are attached

Title 18 U.S.C Section 1001 and Title 43 U S C Section 1212, make it a crime for any person knowingly and wilfully to make to any department or agency of the Unitec States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction

** (Instructions on page 2)*

DECLARED WATER BASIN

CEMENT BEHIND THE 13 3/8" CASING MUST BE CIRCULATED

WITNESS

APPROVAL SUBJECT TO GENERAL REQUIREMENTS AND SPECIAL STIPULATIONS ATTACHED

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

State of New Mexico
Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, New Mexico 87505

Form C-102
Revised October 12, 2005

Submit to Appropriate District Office
State Lease – 4 Copies
Fee Lease – 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Pool Name
30-005-29084		WILDCAT ABO

Property Code	Property Name	Well Number
37703	DERBI "BOD" COM	1H

OGRID No.	Operator Name	Elevation
025575	YATES PETROLEUM CORP.	4418'

Surface Location

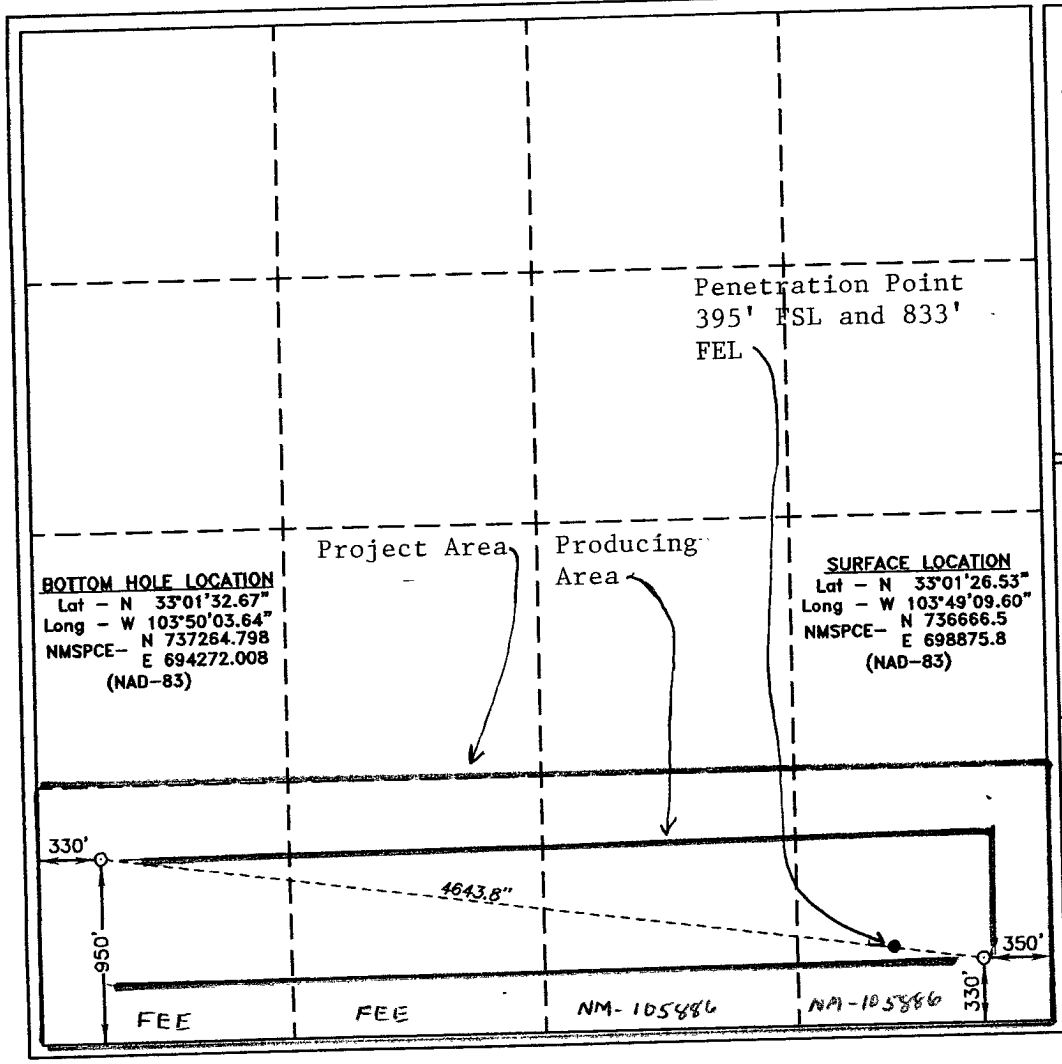
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
P	9	15 S	31 E		330	SOUTH	350	EAST	CHAVES

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
M	9	15 S	31 E		950	SOUTH	330	WEST	CHAVES

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.
160			

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



OPERATOR CERTIFICATION

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 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.

Signature Date

Cy Cowan, Regulatory Agent
Printed Name

SURVEYOR CERTIFICATION

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 supervison, and that the same is true and correct to the best of my belief.

MARCH 15, 2005
Date Surveyed

Signature & Seal of Professional Surveyor

Certificate No. Gary L. Jones 7977

BASIN SURVEYS

YATES PETROLEUM CORPORATION
Derbi BOD Com. #1H
330' FSL and 350' FEL, Section 9-T15S-R31E (Surface Hole Location)
950' FSL and 330' FWL, Section 9-T15S-R31E (Bottom Hole Location)
Chaves County, New Mexico

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

Yates	2325'		ABO	7425'	Oil
Seven Rivers	2468'		Wolfcamp	8727'	Oil
Queen	3125'	Oil/Gas	TVD Pilot Hole	8877'	
San Andres	3825'	Oil	TVD Lateral	8739'	
Glorieta	5235'		TMD Lateral	13177'	
Tubb	6654				

2. The estimated depths at which anticipated water, oil or gas formations are expected to be encountered:

Water: 260'
Oil or Gas: Queen, Grayburg, San Andres, ABO, and Wolfcamp

3. **Pressure Control Equipment:** BOPE will be installed and tested on the 13 3/8", 9 5/8", 7" casing and rated for 3000 psi BOP systems will be consistent with API RP 53. Pressure tests will be conducted before drilling out from under all casing strings which are set and cemented in place. Blowout Preventor controls will be installed prior to drilling the surface plug and will remain in use until the well is completed or abandoned. Preventors 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.

Auxiliary Equipment:

A. 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.

4. **THE PROPOSED CASING AND CEMENTING PROGRAM:**

A. Casing Program: (**All New**)

Hole Size	Casing Size	Wt./Ft	Grade	Thread	Interval	Length
17 1/2"	13 3/8"	48#	H-40	ST&C	0-400'	400'
12 1/4"	9 5/8"	40#	J-55	ST&C	0-100'	100'
12 1/4"	9 5/8"	36#	J-55	ST&C	100-3200'	3100'
12 1/4"	9 5/8"	40#	J-55	ST&C	3200-3900'	700'
8 3/4"	7"	26#	HCP-110	LT&C	0-8877'	8877'
6 1/8"	4 1/2"	11.6#	HCP-110	Buttress	7750'-9022'	1272'
6 1/8"	4 1/2"	11.6#	HCP-110	LT&C	9022'-13177'	4155'

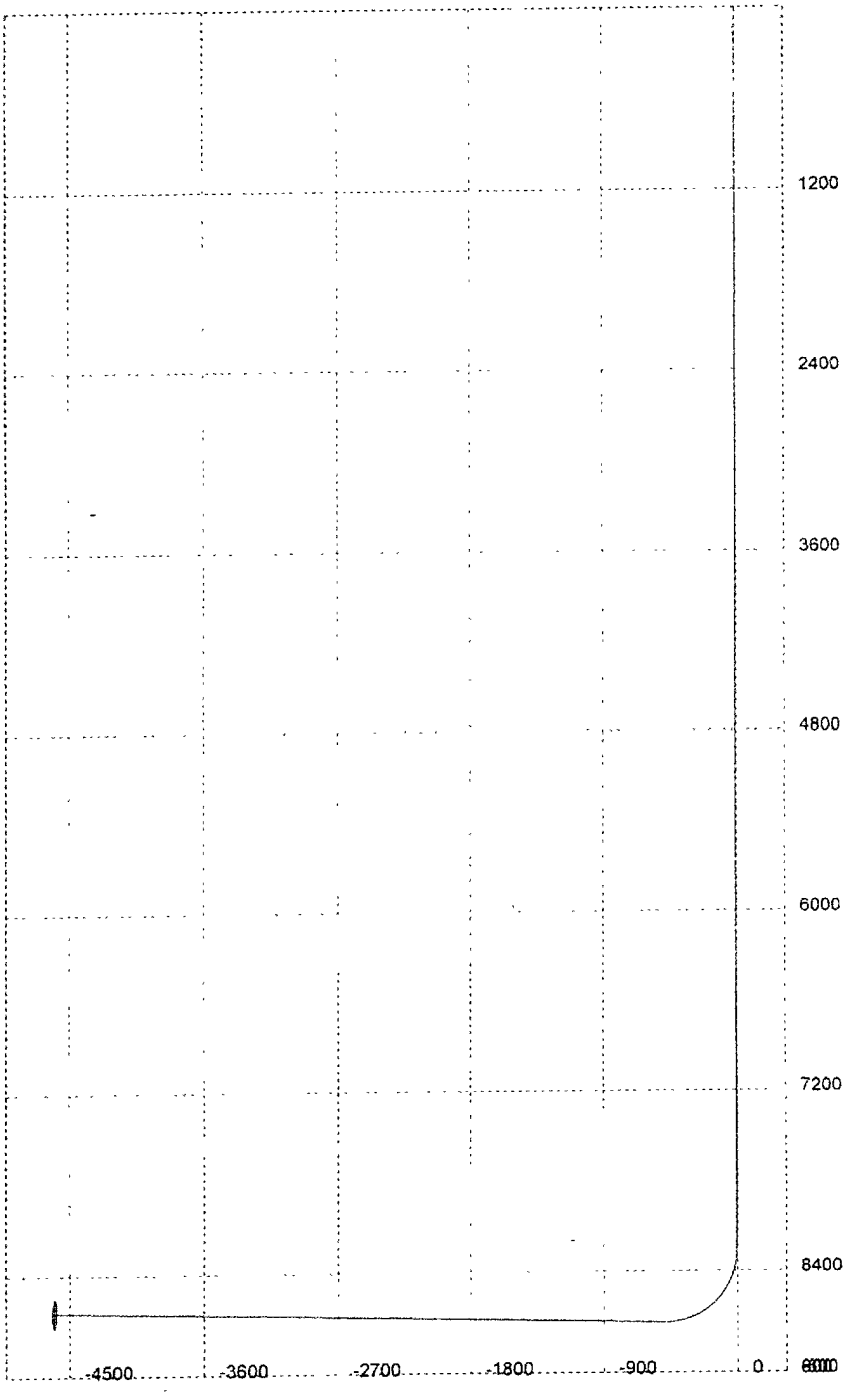
Pilot hole will be drilled to 8877' where 7" casing will be set and cemented. A whipstock will be placed in the 7" and well will then be kicked off at approx. 8262' at 12 degrees per 100' with a 6 1/8" hole to 13177' TMD with a TVD of 8650' where 4 ½" Peak Completion Liner Assembly will be set (not Cemented). The penetration point of producing formation will be encountered at 395' FSL & 833' FEL, Section 9, T15S-R31E. Deepest TVD of the well will be in the pilot hole @ 8877'. The deepest TVD in the lateral will be 8739.35'.

M.D.	Inclination	Azimuth	T.V.D.	N+/S-	E+/W-	D.L.S.	ToolFace	T.F. Ref [HS/GN]	
0	0	0	0	0	0	0			
2,325	0	0	2,325	0	0	0			YATES
2,468	0	0	2,468	0	0	0			SEVEN RIVERS
3,125	0	0	3,125	0	0	0			QUEEN
3,825	0	0	3,825	0	0	0			SAN ANDRES
5,235	0	0	5,235	0	0	0			GLORIETA
6,654	0	0	6,654	0	0	0			TUBB
7,425	0	0	7,425	0	0	0			ABO
8262	0	0	8262	0	0	12	278	GN	KOP
8275	1.56	277.68	8275	0.02	-0.18	12	0	HS	
8300	4.56	277.68	8299.96	0.2	-1.5	12	360	HS	
8325	7.56	277.68	8324.82	0.55	-4.11	12	0	HS	
8350	10.56	277.68	8349.5	1.08	-8.01	12	360	HS	
8375	13.56	277.68	8373.95	1.78	-13.19	12	0	HS	
8400	16.56	277.68	8398.09	2.65	-19.63	12	360	HS	
8425	19.56	277.68	8421.85	3.68	-27.31	12	360	HS	
8450	22.56	277.68	8445.18	4.88	-36.21	12	0	HS	
8475	25 56	277.68	8468.01	6.24	-46.31	12	360	HS	
8500	28.56	277.68	8490.27	7.76	-57.58	12	0	HS	
8525	31.56	277.68	8511.9	9.43	-69.99	12	0	HS	
8550	34.56	277.68	8532.85	11.25	-83.5	12	360	HS	
8575	37.56	277.68	8553.06	13.22	-98.08	12	0	HS	
8600	40.56	277.68	8572.47	15.32	-113.69	12	360	HS	
8625	43.56	277.68	8591.03	17.56	-130.29	12	0	HS	
8650	46.56	277 68	8608.69	19.92	-147.83	12	0	HS	
8675	49.56	277.68	8625.39	22.41	-166.25	12	0	HS	
8700	52.56	277.68	8641.1	25.01	-185.52	12	360	HS	
8725	55.56	277.68	8655.77	27.71	-205.58	12	0	HS	
8750	58.56	277.68	8669.37	30.51	-226.37	12	360	HS	
8775	61.56	277.68	8681.84	33.4	-247.84	12	360	HS	
8800	64.56	277.68	8693.17	36.38	-269.92	12	0	HS	
8825	67.56	277.68	8703.31	39.43	-292.56	12	0	HS	
8850	70.56	277.68	8712.24	42.55	-315.7	12	0	HS	
8874	73.44	277.68	8719.66	45.6	-338.32	12	0	HS	WOLFCAMP
8875	73.56	277.68	8719.94	45.73	-339.27	12	0	HS	
8900	76.56	277.68	8726.39	48.95	-363.2	12	0	HS	
8925	79.56	277.68	8731.56	52.22	-387.44	12	360	HS	
8950	82.56	277.68	8735.45	55.52	-411.91	12	0	HS	
8975	85.56	277.68	8738.03	58.84	-436.55	12	360	HS	
9000	88.56	277 68	8739.31	62 17	-461.29	12	360	HS	
9022.27	91.23	277.68	8739.35	65.15	-483.37	0			PAY ZONE
13177.09	91.23	277.68	8650	620	-4600	0			LATERAL TD

Pilot hole will be drilled to 8877' where 7" casing will be set and cemented. A whipstock will be placed in 7" and well will then be kicked off at approx. 8262' at 12 degrees per 100' to 13,177' MD (8,650' TVD) where 4 1/2" Peak Completion Liner Assembly will be set (not cemented). Penetration point of producing formation encountered at 395' FSL and 833' FEL, 9-15S-31E. Deepest TVD of the well will be in the pilot hole @ 8,877'. Deepest TVD in the lateral will be 8739 35'.

3D³ Directional Drilling Planner - 3D View

Company: **Yates Petroleum Corporation**
Well: **Derbi BOD Com. #1H**



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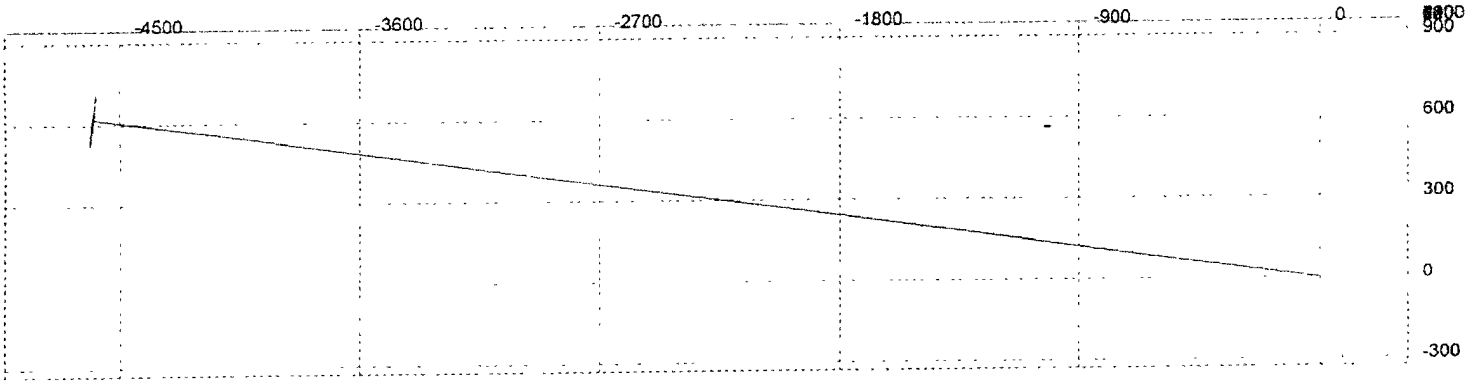


Minimum Casing Design Factors: Burst 1.0, Tensile Strength 1.8, Collapse 1.125

B. CEMENTING PROGRAM:

Surface Casing: 425 sacks "C" + 2% CaCL2 (WT 14.80 YLD 1.34). Cement to surface.

Intermediate Casing: 1075 sacks C Lite (Wt 12.50 YLD 2.04). Tail in with 200 sacks "C" + 2% CaCL2 (WT 14.80 YLD 1.33) Cement to surface.

Intermediate Casing 2: Lead with 975 sack 50:50:10C (WT 11.60 YLD 2.43). Tail in with 200 sacks PecosVILt (WT 13.00 YLD 1.40). Cement to surface.

Production Casing: Lateral. No cement. YPC will use a peak completion assembly.

5. Mud Program and Auxiliary Equipment:

Interval	Type	Weight	Viscosity	Fluid Loss
Spud-400'	Fresh Water Gel	8.60-9.00	32-34	N/C
400'-3900'	Brine Water	10.0-10.20	28-28	N/C
3900'-7400'	Cut Brine	8.70-9.20	28-28	N/C
7400'-8877'	Cut Brine	8.70-9.20	28-28	<10-10cc
86262'-13177'	Cut Brine/2-3%KCL (Lateral Section)	8.50-8.90	28-28	<10-10cc

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. Mud will be checked hourly by rig personnel.

6. EVALUATION PROGRAM:

Samples: 10' from intermediate casing 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. Horizontal-MWD-GR
Coring: None anticipated.
DST's: None anticipated.

7. ABNORMAL CONDITIONS, BOTTOM HOLE PRESSURE AND POTENTAL HAZARDS:

Anticipated BHP: Depths are TVD

From:	0	TO	400'	TVD	Anticipated Max. BHP:	190	PSI
From:	400'	TO	3900'	TVD	Anticipated Max. BHP:	2070	PSI
From:	3900'	TO	8877'	TVD	Anticipated Max. BHP.	4250	PSI

Abnormal Pressures Anticipated: None
Lost Circulation Zones Anticipated: None
H2S Zones Anticipated: None
Maximum Bottom Hole Temperature: 120° F

8. ANTICIPATED STARTING DATE:

Plans are to drill this well as soon as possible after receiving approval. It should take approximately 45 days to drill the well with completion taking another 30 days.

MULTI-POINT SURFACE USE AND OPERATIONS PLAN
Yates Petroleum Corporation
Derbi BOD Com. #1H
330' FSL and 350' FEL, Section 9, T15S-R31E (Surface Hole Location)
950' FSL and 330' FWL, Section 9-T15S-R31E (Bottom Hole Location)
Chaves County, New Mexico

This plan is submitted with Form 3160-3, Application for Permit to Drill, covering the above described well. The purpose of this plan is to describe the location of the proposed well, the proposed construction activities and operations plan, the magnitude of the surface disturbance involved and the procedures to be followed in rehabilitating the surface after completion of the operations, so that a complete appraisal can be made of the environmental effect associated with the operations.

1. EXISTING ROADS:

Exhibit A is a portion of the BLM map showing the well and roads in the vicinity of the proposed location. The proposed well site is located approximately 12 miles north of Maljamar, New Mexico and the access route to the location is indicated in red and green on Exhibit A.

DIRECTIONS:

From Maljamar, NM go 1 mile east on Highway 82 to the intersection of Highway 82 and State Road 249. Turn left on State Road 249 and go approximately 12 miles to the intersection of Wanda Road and Highway 172. The access new road will start here going west though a cattleguard off of Highway 172. After crossing the cattleguard follow a two track road and a pipeline right of way for approximately .9 of a mile. Approximately .2 of a mile of new road will be built at the point going to the southeast corner of the proposed location.

2. PLANNED ACCESS ROAD:

A. The access road will be approximately 1.1 miles in length. A portion of the existing two tract road in the S/2S/E/4 of Section 10, T15S-R31E is owned by the State of New Mexico and is leased to Mr. Billy R. Medlin of P.O. Box 50 Maljamar, NM 88264. The rest of the existing and new access road in the S/2S/2 of Section 10, T15S-R31E and a 185.4' portion of new road in located in the SE/SE/4 of Section 9, T15S-R31E is on land owned by Mr. Billy R. Medlin. Yates Petroleum Corporation will obtain a road right-of-way from the Commissioner of Public Lands P.O. Box 1148, Santa Fe, NM 87504-1148 for access across state lands. Yates has already obtained access road right of way from Mr. Medlin.
B. The new road will be 14' in width (driving surface) and will be adequately drained to control runoff and soil erosion.
C. The new road will be bladed with drainage on one side. Traffic turnouts may be built as needed.
D. The route of the road is visible.
E. Existing roads will be maintained in the same or better condition.

3. LOCATION OF EXISTING WELL

A. There is drilling activity within a one-mile radius of the well site.
B. Exhibit D shows existing wells within a one-mile radius of the proposed well site.

4. LOCATION OF EXISTING AND/OR PROPOSED FACILITIES

A. There are no production facilities on this lease at the present time. Production facilities for this well will be placed on the location as determined by Yates' Production Department. Placement has not been determined at this time.

B. If this well is productive of oil a gas or diesel self-contained unit will be used to provide the necessary power until an electric line can be built if it is needed. Power should not be required if the well is productive of gas.

C. Should off location facilities be needed for power line, flow line right-of-ways, etc. they will be filed under a separate application by Yates or a third party if applicable. The route and placement will be determined at that time.

5. LOCATION AND TYPE OF WATER SUPPLY:

A. It is planned to drill the proposed well with a **fresh water system**. The water will be obtained from commercial sources and will be hauled to the location by truck over the existing and proposed roads shown in Exhibit A.

6. SOURCE OF CONSTRUCTION MATERIALS:

The dirt contractor will acquire any materials from the closest source at the time of construction of the well pad.

7. METHODS OF HANDLING WASTE DISPOSAL:

A. A closed loop system will be used to drill this well.
B. The closed loop system will be constructed, maintained, and closed in compliance with the State of New Mexico, Energy and Natural Resources Department, Oil Conservation Division – the "Pit Rule" 19.15.17 NMAC.
C. Water produced during operations will be collected in tanks until hauled to an approved disposal system, or separate disposal application will be submitted.
D. Oil produced during operations will be stored in tanks until sold.
E. Current laws and regulations pertaining to the disposal of human waste will be complied with.
F. All trash, junk, and other waste materials will be contained in trash cages or bins to prevent scattering and will be removed and deposited in an approved sanitary landfill. Burial on site is not approved.

8. ANCILLARY FACILITIES: None

9. WELLSITE LAYOUT:

A. Exhibit B shows the relative location and dimensions of the well pad, the closed loop mud system, location of the drilling equipment, rig orientation and access road approach. The proposed well location will be approximately 350' x 300'. All of the location will be constructed within the 600' x. 600' staked area.

B. The closed loop system will be constructed, maintained and closed in compliance with the State of New Mexico, Energy and Natural Resources Department, Oil Conservation Division—the "Pit Rule" 19.15.17 NMAC.

C. A 600' x 600' area has been staked and flagged.

10. PLANS FOR RESTORATION

A. After finishing drilling and/or completion operations, all equipment and other material not needed for further operations will be removed. The location will be cleaned of all trash and junk to leave the well site in as aesthetically pleasing a condition as possible. At the time interim remediation is proposed Yates will furnish the BLM with a Sundry Notice detailing the remediation plans.

B. Unguarded pits, if any, containing fluids will be fenced until they have dried and been leveled.

C. If the proposed well is non-productive, all rehabilitation and/or vegetation requirements of the Bureau of Land Management will be complied with and will be accomplished as expeditiously as possible. All pits will be filled level within 90 days after abandonment.

11. SURFACE OWNERSHIP:

Split Estate—Private Surface: Surface owners are Billy R. Medlin and Donna K. Medlin, his wife, as joint tenants. Mailing address is P.O. Box 50 Maljamar, NM 88264. Yates Petroleum Corporation does have a surface use agreement in place with the surface owners.

Mineral Estate: Administered by the Bureau of Land Management, Roswell Field Office. 2909 West Second Street, Roswell, NM 88201.

12. OTHER INFORMATION:

A. Topography: Refer to the existing archaeological report for a description of the topography, flora, fauna, soil characteristics, and dwellings, historical and cultural sites.

B. The primary surface use is for grazing.

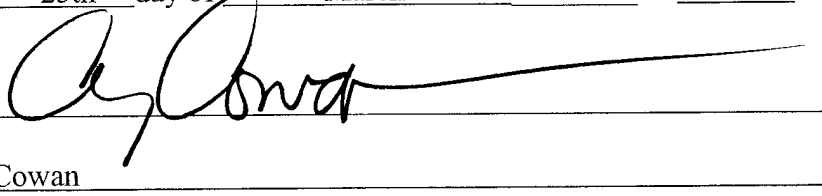
(Exhibits Attached)

Exhibit A Topographic Map and Road Plat
Exhibit B Location Layout
Exhibit C BOP Schematic
Exhibit D One Mile Radius
Exhibit E Choke Manifold Diagram Closed Loop mud System

CERTIFICATION
YATES PETROLEUM CORPORATION
Derbi BOD Com. #1H

I hereby certify that I, or someone under my direct supervision, have inspected the drill site and access route proposed herein; that I am familiar with the conditions which currently exist; and an someone under employment of Yates Petroleum Corporation has full knowledge of state and federal laws applicable to this operation; that the statements made in this APD package are, to the best of my knowledge, true and correct; and that the work associated with the operations proposed herein will be performed in conformity with this APD package and the terms and conditions under which it is approved. I also certify that I, or the company I represent, am responsible for the operations conducted under this application. These statements are subject to the provisions of 18 U.S.C. 1001 for the filing of false statements.

Executed this 25th day of March 20 09

Signature 

Name Cy Cowan

Position Title Regulatory Agent

Address 105 South Fourth Street, Artesia, New Mexico 88210

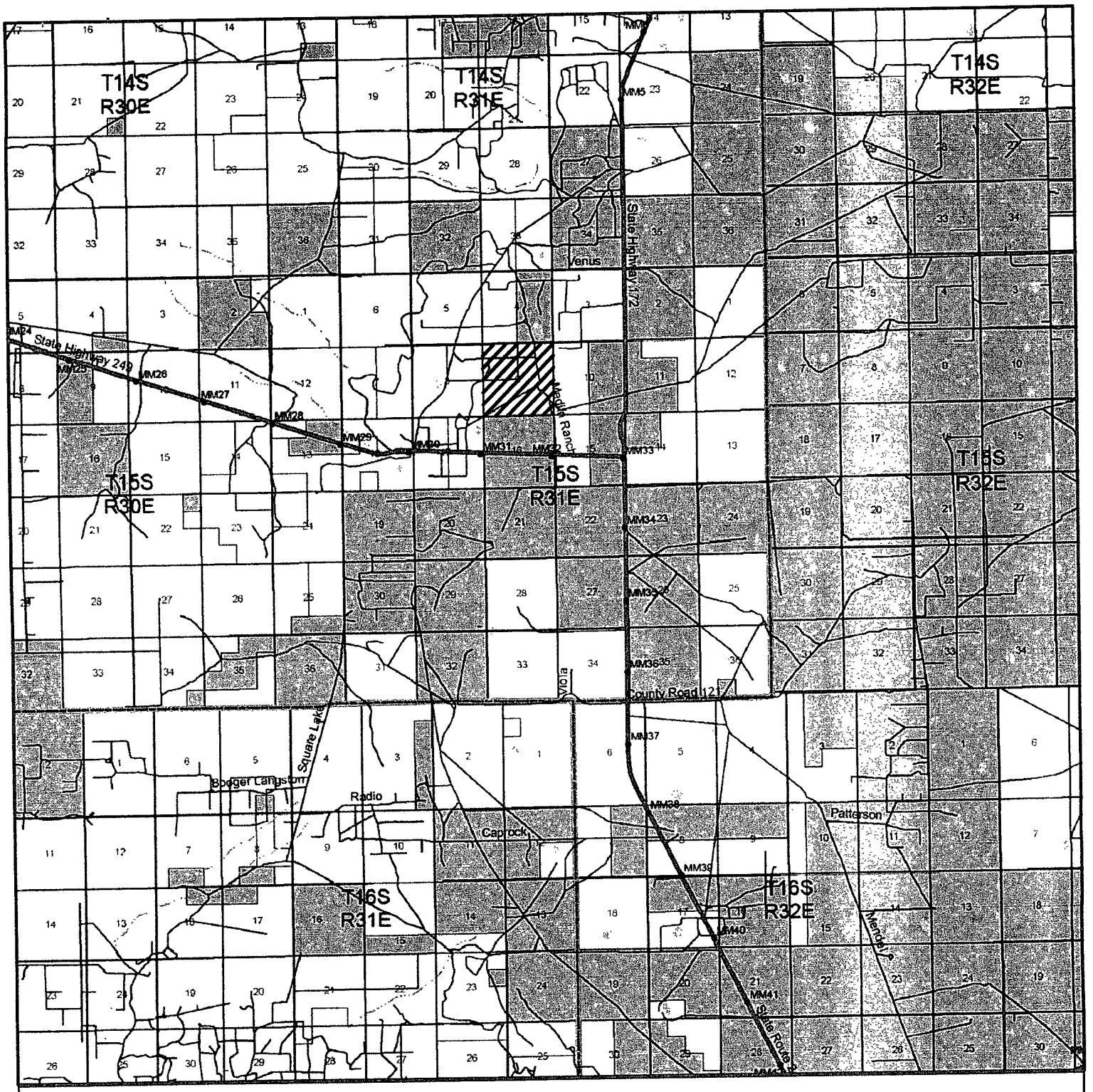
Telephone (505) 748-4372

Field Representative (if not above signatory) Tim Bussell, Drilling Supervisor

Address (if different from above) Same as above.

Telephone (if different from above) (505) 748-4221

E-mail (optional)



DERBI "BOD" COM #1H
Located 330' FSL and 350' FEL
Section 9, Township 15 South, Range 31 East,
N.M.P.M., Chaves 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:	JMS 21231
Survey Date:	03-13-2009
Scale:	1" = 2 Miles
Date:	03-16-2009

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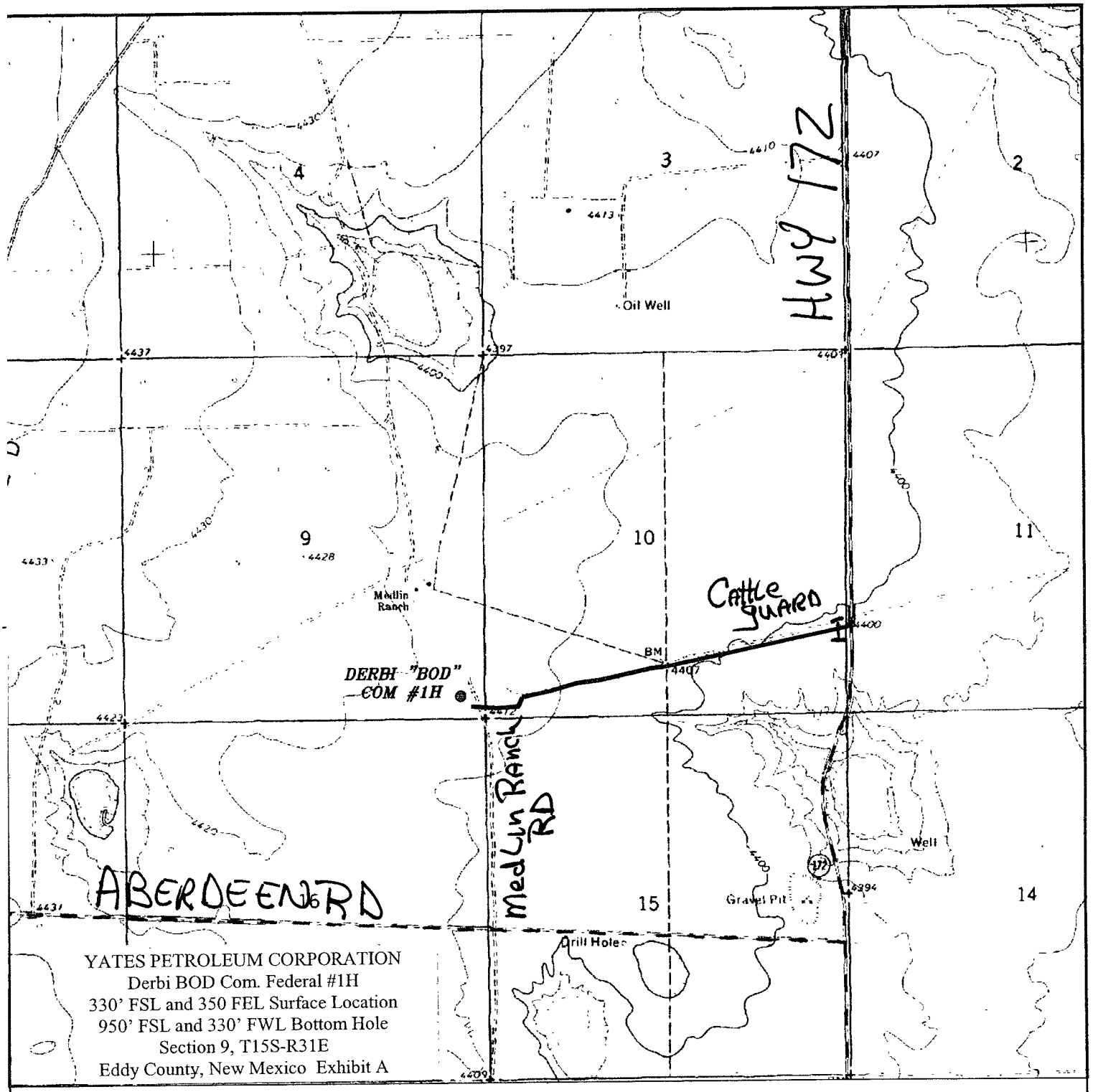
YATES PETROLEUM CORP.



YATES PETROLEUM CORPORATION
Derbi BOD Com. Federal #1H
330' FSL and 350 FEL Surface Location
950' FSL and 330' FWL Bottom Hole
Section 9, T15S-R31E
Eddy County, New Mexico Exhibit A

PROPOSED LEASE ROAD TO THE DERBI "BOD" COM #1H

Sections 9,10&11, Township 15 South, Range 31 East, N.M.P.M., Chaves County, New Mexico.

basin surveys
focused on excellence in the oilfield

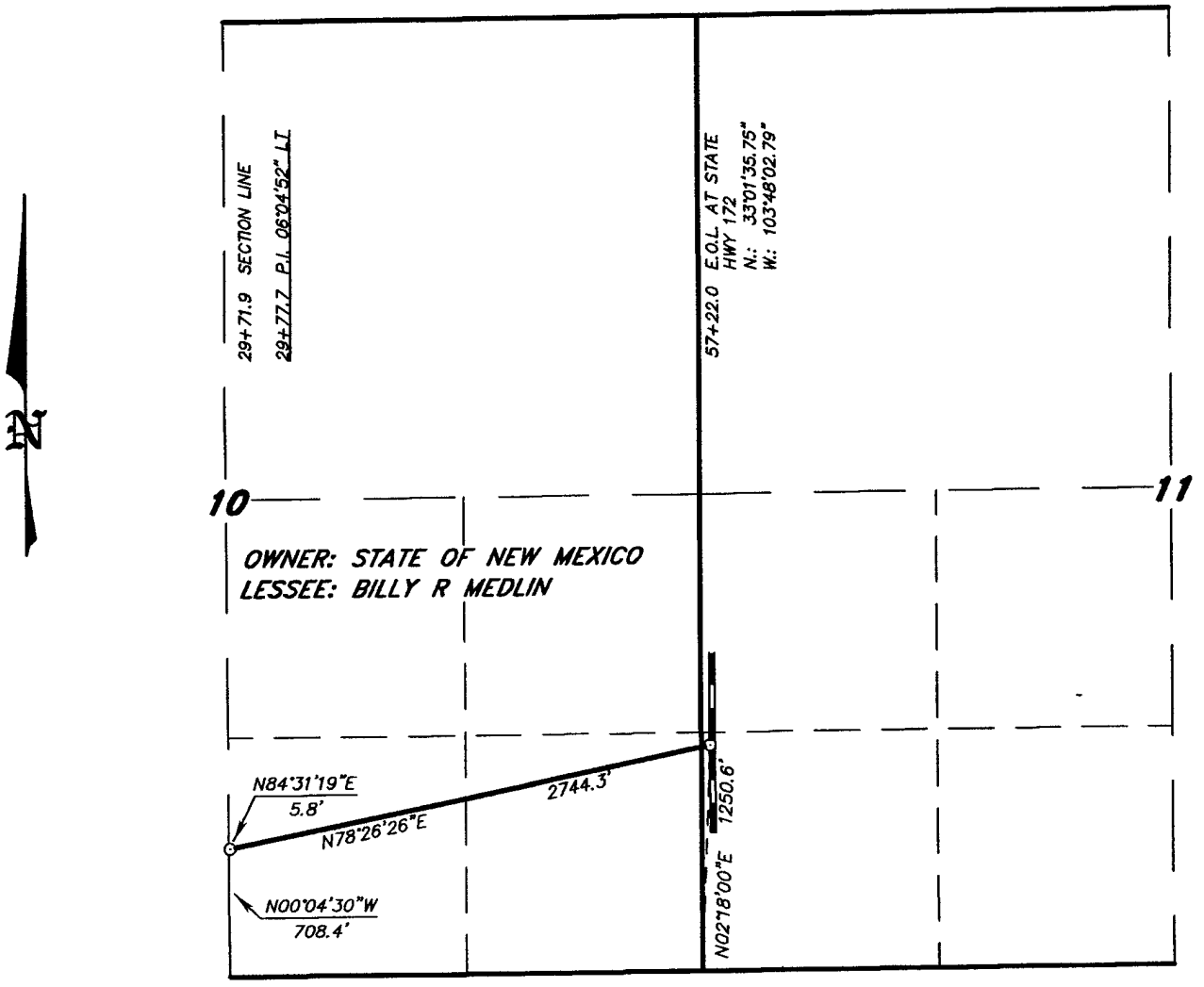
P.O. Box 1786
1120 N. West County Rd.
Hobbs, New Mexico 88241
(575) 393-7316 - Office
(575) 392-2206 - Fax
basinsurveys.com

W.O. Number:	JMS 21231
Survey Date:	03-13-2009
Scale:	1" = 2000'
Date:	03-16-2009

N

YATES PETROLEUM CORP.

SECTIONS 10&11, TOWNSHIP 15 SOUTH, RANGE 31 EAST, N.M.P.M.,
CHAVES COUNTY, NEW MEXICO.



LEGAL DESCRIPTION

A STRIP OF LAND 30.0 FEET WIDE, LOCATED IN SECTIONS 10&11, TOWNSHIP 15 SOUTH, RANGE 31 EAST, N.M.P.M., CHAVES COUNTY, NEW MEXICO AND BEING 15.0 FEET LEFT AND RIGHT OF THE FOLLOWING DESCRIBED CENTERLINE SURVEY.

BEGINNING AT A POINT ON THE WEST PROPERTY LINE WHICH LIES N.00°04'30"W., 708.4 FEET FROM THE SOUTH QUARTER CORNER OF SAID SECTION 10; THENCE N.84°31'19"E., 5.8 FEET; THENCE N.78°26'26"E., 2744.3 FEET TO THE END OF THIS LINE WHICH LIES N.02°18'00"E., 1250.6 FEET FROM THE SOUTHWEST CORNER OF SAID SECTION 11. SAID STRIP OF LAND BEING 2750.1 FEET OR 166.67 RODS IN LENGTH AND CONTAINING 1.89 ACRES, MORE OR LESS, AND BEING ALLOCATED BY FORTIES AS FOLLOWS:

SW/4 SE/4 (SEC 10) = 81.73 RODS = 0.93 ACRES SE/4 SE/4 (SEC 10) = 81.75 RODS = 0.93 ACRES

SW/4 SW/4 (SEC 11) = 3.19 RODS = 0.03 ACRES

1000 0 1000 2000 FEET

I HEREBY CERTIFY THAT THIS PLAT WAS PREPARED FROM FIELD NOTES OF AN ACTUAL SURVEY AND MEETS OR EXCEEDS ALL REQUIREMENTS FOR LAND SURVEYS AS SPECIFIED BY THIS STATE.

GARY L. JONES, N.M. P.S. No. 7977
TEXAS No.- 5074

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

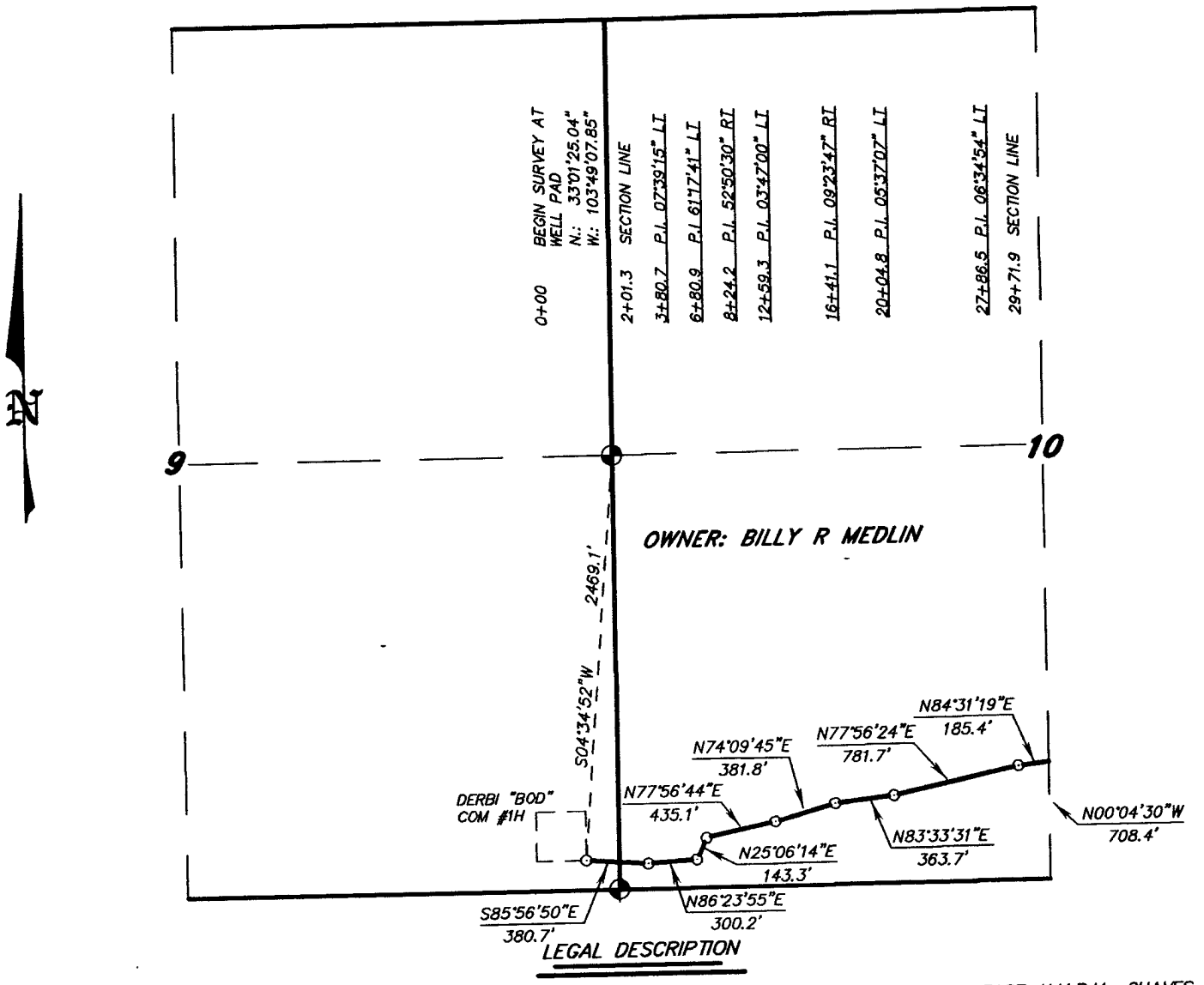
YATES PETROLEUM CORP.

REF: PROPOSED LEASE ROAD

A LEASE ROAD CROSSING STATE LAND IN SECTIONS 10&11, TOWNSHIP 15 SOUTH, RANGE 31 EAST, N.M.P.M., CHAVES COUNTY, NEW MEXICO.

W.O. Number: 21231	Drawn By: J. M. SMALL		
Date: 03-16-2009	Disk: JMS 21231	Survey Date: 03-13-2009	Sheet 2 of 2 Sheets

SECTIONS 9&10, TOWNSHIP 15 SOUTH, RANGE 31 EAST, N.M.P.M., CHAVES COUNTY, NEW MEXICO.



LEGAL DESCRIPTION

A STRIP OF LAND 30.0 FEET WIDE, LOCATED IN SECTIONS 9&10, TOWNSHIP 15 SOUTH, RANGE 31 EAST, N.M.P.M., CHAVES COUNTY, NEW MEXICO AND BEING 15.0 FEET LEFT AND RIGHT OF THE FOLLOWING DESCRIBED CENTERLINE SURVEY.

BEGINNING AT A POINT WHICH LIES S.04°34'52"W., 2469.1 FEET FROM THE EAST QUARTER CORNER OF SAID SECTION 9; THENCE S.85°56'50"E., 380.7 FEET; THENCE N.86°23'55"E., 300.2 FEET; THENCE N.25°06'14"E., 143.3 FEET; THENCE N.83°33'31"E., 363.7 FEET; THENCE N.77°56'24"E., N.77°56'44"E., 435.1 FEET; THENCE N.74°09'45"E., 381.8 FEET; THENCE N.84°31'19"E., 185.4 FEET TO A POINT ON THE EAST PROPERTY LINE WHICH LIES N.00°04'30"W., 781.7 FEET; THENCE N.84°31'19"E., 185.4 FEET TO A POINT ON THE EAST PROPERTY LINE WHICH LIES N.00°04'30"W., 708.4 FEET FROM THE SOUTH QUARTER CORNER OF SAID SECTION 10. SAID STRIP OF LAND BEING 2971.9 FEET OR 180.12 RODS IN LENGTH.

I HEREBY CERTIFY THAT THIS PLAT WAS PREPARED FROM FIELD NOTES OF MY ACTUAL SURVEY AND MEETS OR EXCEEDS ALL REQUIREMENTS FOR LAND SURVEYS AS SPECIFIED BY THIS STATE.

GARY L. JONES — No. 7977
TEXAS P.L.S. — No. 5074

1000 0 1000 2000 FEET

YATES PETROLEUM CORP.

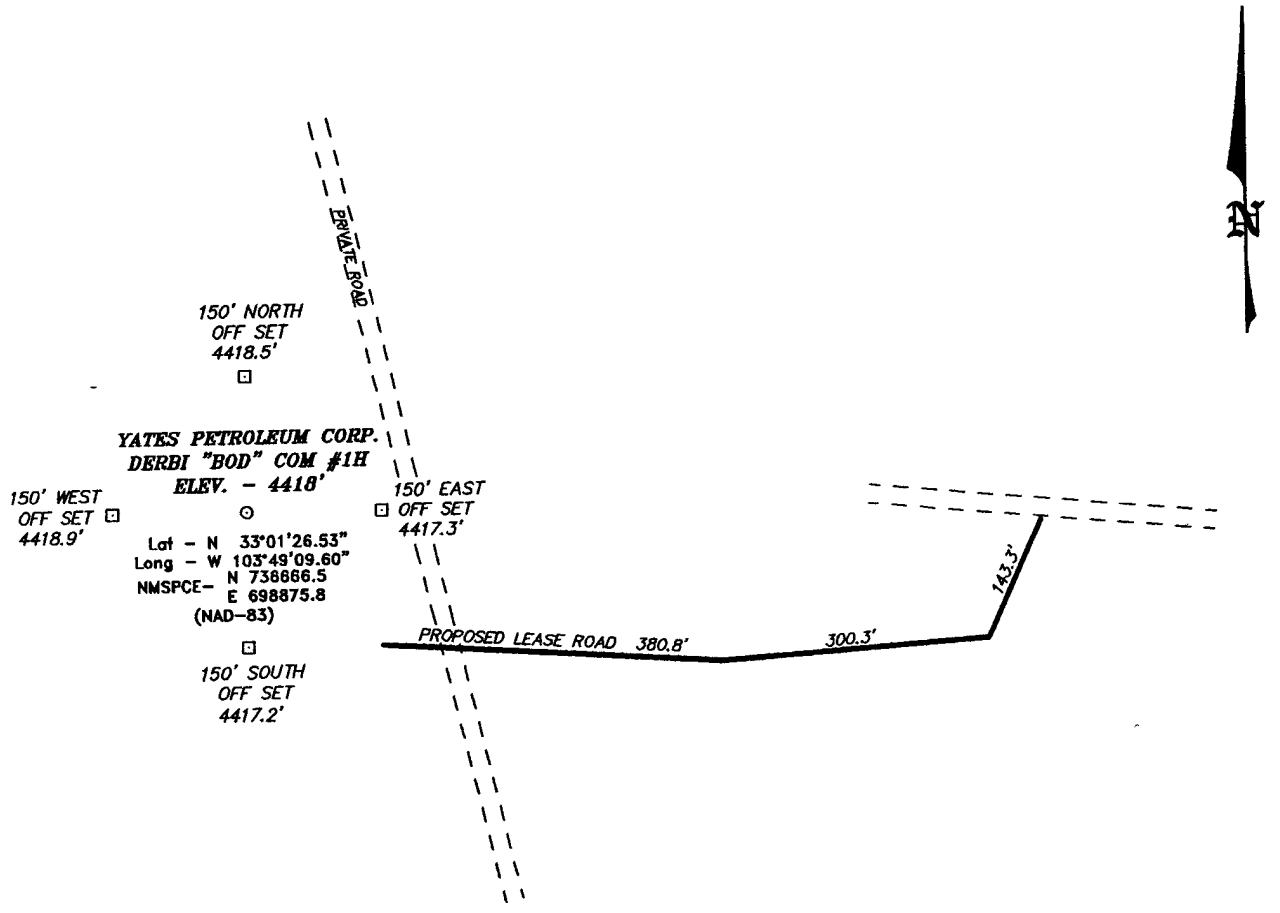
REF: PROPOSED LEASE ROAD

A LEASE ROAD CROSSING FEE LAND IN SECTIONS 9&10, TOWNSHIP 15 SOUTH, RANGE 31 EAST, N.M.P.M., CHAVES COUNTY, NEW MEXICO.

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

W.O. Number: 21231	Drawn By: J. M. SMALL		
Date: 03–16–2009	Disk: JMS 21231	Survey Date: 03–13–2009	Sheet 1 of 2 Sheets

SECTION 9, TOWNSHIP 15 SOUTH, RANGE 31 EAST, N.M.P.M.,
CHAVES COUNTY, NEW MEXICO.



200 0 200 400 FEET

SCALE: 1" = 200'

YATES PETROLEUM CORP.

REF: DERBI "BOD" COM #1H / WELL PAD TOPO

THE DERBI "BOD" COM #1H LOCATED 330'

FROM THE SOUTH LINE AND 350' FROM THE EAST LINE OF

SECTION 9, TOWNSHIP 15 SOUTH, RANGE 31 EAST,

N.M.P.M., CHAVES COUNTY, NEW MEXICO.

Survey Date: 03-13-2009 | Sheet 1 of 1 Sheets

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

W.O. Number: 21231 | Drawn By: J. SMALL

Date: 03-16-2009 | Disk: JMS 21231

YATES PETROLEUM CORPORATION
Derbi BOD Com. Federal #1H
330' FSL and 350 FEL Surface Location
950' FSL and 330' FWL Bottom Hole
Section 9, T15S-R31E
Chaves County, New Mexico Exhibit B

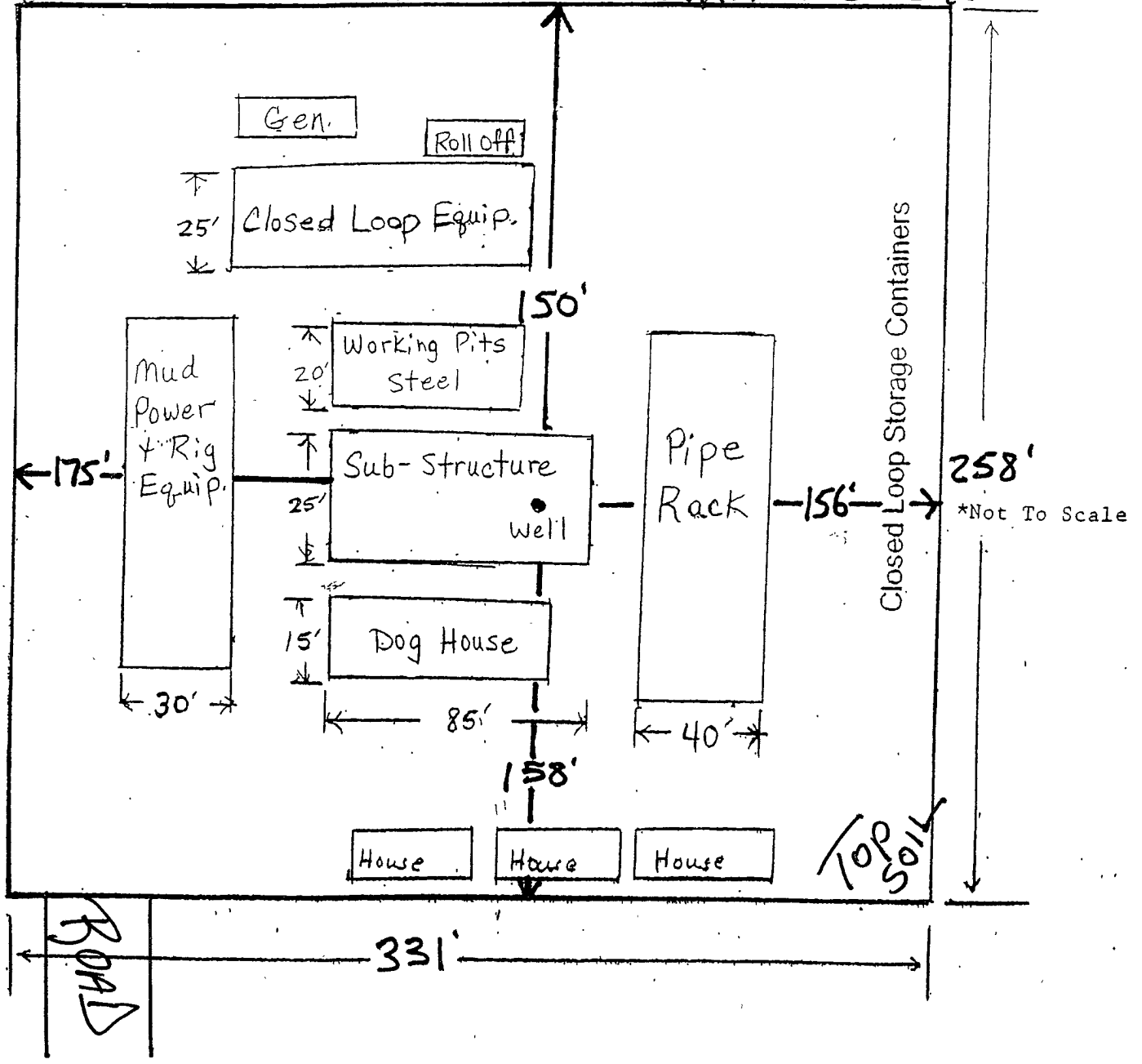
W
S
N
E

Yates Petroleum Corporation
Location Layout for Permian Basin

Closed Loop Design Plan

Size of Well is Approximate

ALL Construction Within 600'x600'

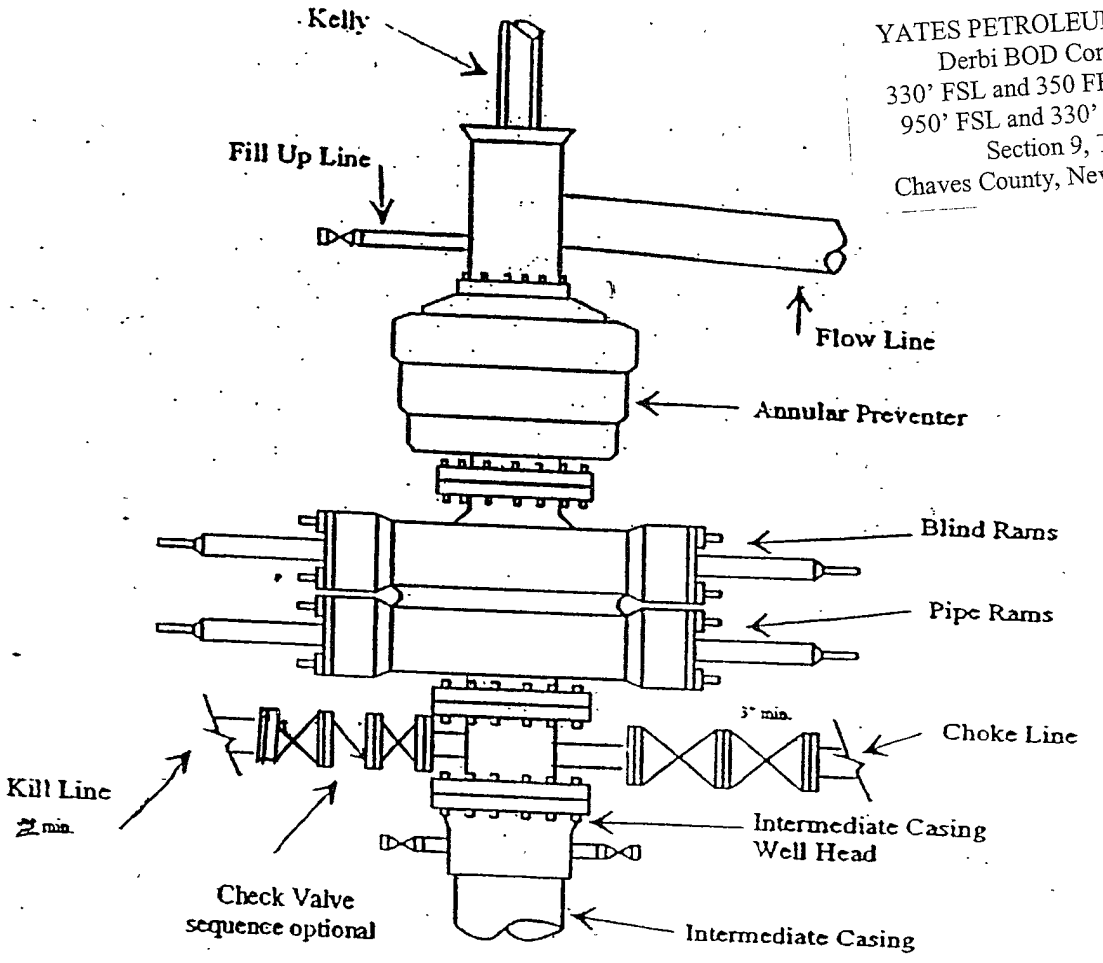


Yates Petroleum Corporation

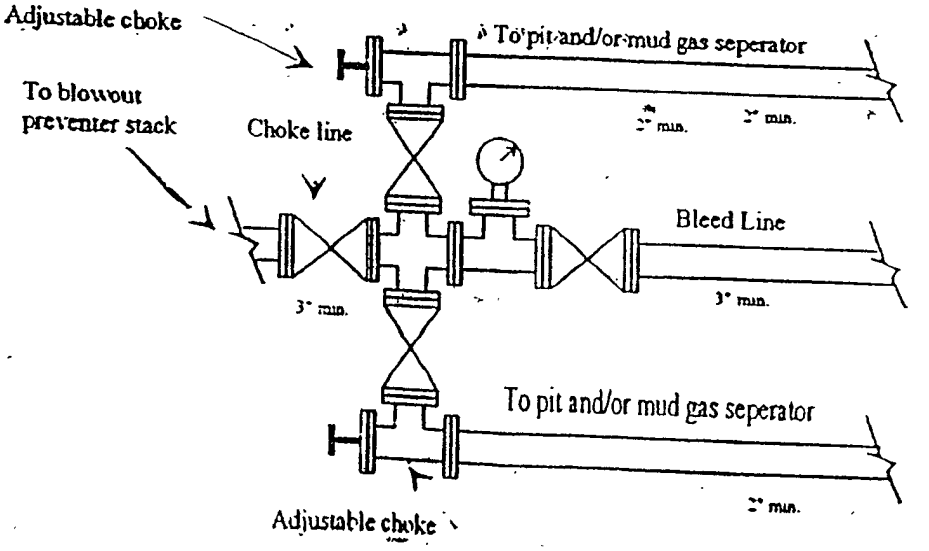
BOP-3

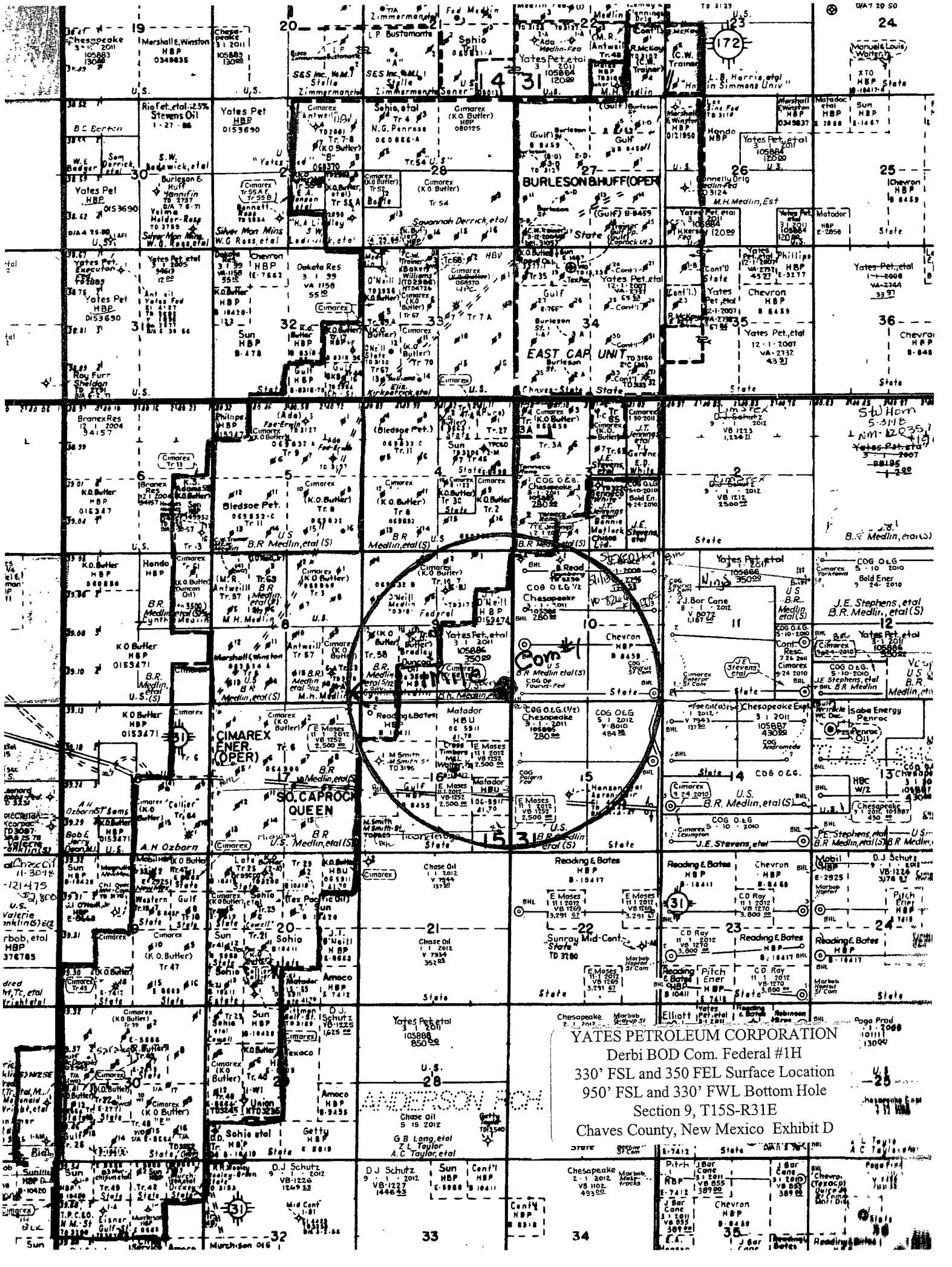
Typical 3,000 psi Pressure System
Schematic
Annular with Double Ram Preventer Stack

YATES PETROLEUM CORPORATION
Derbi BOD Com. Federal #1H
330' FSL and 350 FEL Surface Location
950' FSL and 330' FWL Bottom Hole
Section 9, T15S-R31E
Chaves County, New Mexico Exhibit C



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




YATES PETROLEUM CORPORATION
Derbi BOD Com. Federal #1H
330' FSL and 350 FEL Surface Location
950' FSL and 330' FWL Bottom Hole
Section 9, T15S-R31E
Chaves County, New Mexico Exhibit D

YATES PETROLEUM CORPORATION
Piping from Choke Manifold
to the Closed-Loop Drilling Mud System

YATES PETROLEUM CORPORATION
Derbi BOD Com. Federal #1H
330' FSL and 350 FEL Surface Location
950' FSL and 330' FWL Bottom Hole
Section 9, T15S-R31E
Chaves County, New Mexico Exhibit E

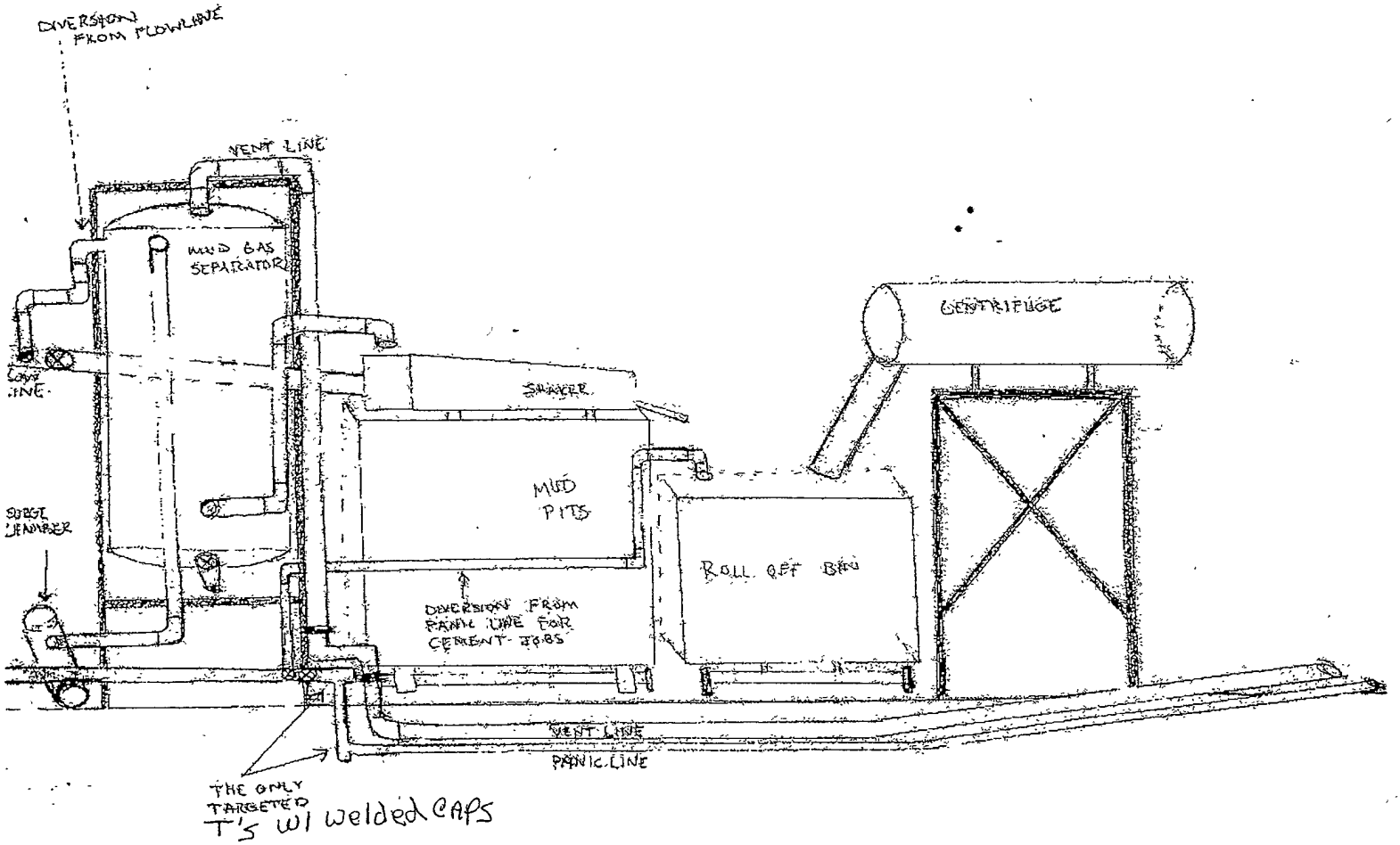


Exhibit A
General Location Map

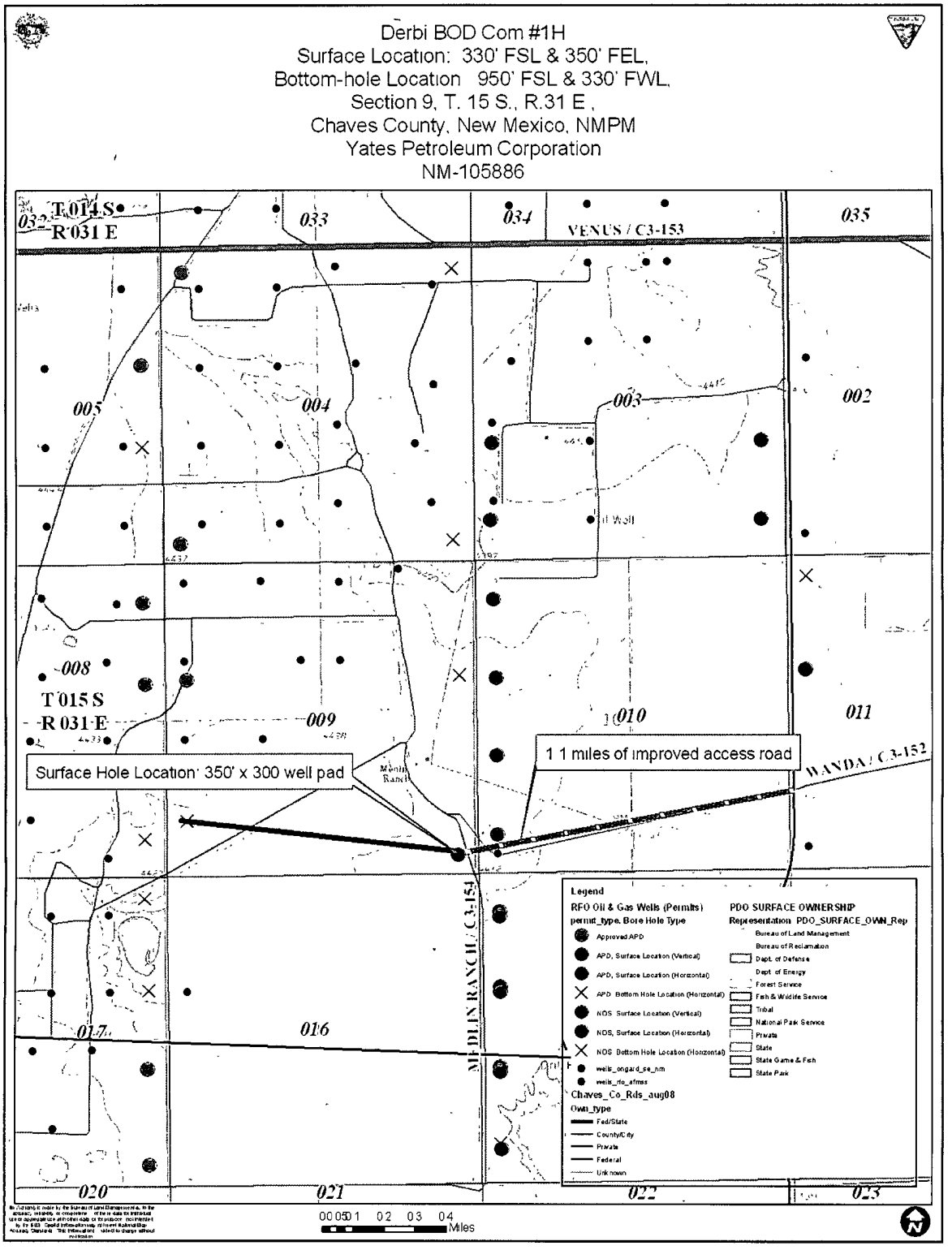


EXHIBIT B
PECOS DISTRICT - RFO
CONDITIONS OF APPROVAL

April 29, 2009

Derbi BOD Com #1H
Surface Location: 330' FSL & 350' FEL,
Bottom-hole Location: 950' FSL & 330' FWL,
Section 9, T. 15 S., R.31 E.,
Chaves County, New Mexico, NMPM
Yates Petroleum Corporation
NM-105886

GENERAL PROVISIONS

The approval of the Application For Permit To Drill (APD) is in compliance with all applicable laws and regulations: 43 Code of Federal Regulations 3160, the lease terms, Onshore Oil and Gas Orders, Notices To Lessees, New Mexico Oil Conservation Division (NMOCD) Rules, National Historical Preservation Act As Amended, and instructions and orders of the Authorized Officer. Any request for a variance shall be submitted to the Authorized Officer on Form 3160-5, Sundry Notices and Report on Wells.

I. PERMIT EXPIRATION

If the permit terminates prior to drilling and drilling cannot be commenced within 60 days after expiration, an operator is required to submit Form 3160-5, Sundry Notices and Reports on Wells, requesting surface reclamation requirements for any surface disturbance. However, if the operator will be able to initiate drilling within 60 days after the expiration of the permit, the operator must have set the conductor pipe in order to allow for an extension of 60 days beyond the expiration date of the APD (Filing of a Sundry Notice is required for this 60 day extension).

II. ARCHAEOLOGICAL, PALEONTOLOGY & HISTORICAL SITES

Any cultural and/or paleontological resource discovered by the operator or by any person working on the operator's behalf shall immediately report such findings to the Authorized Officer. The operator is fully accountable for the actions of their contractors and subcontractors. The operator shall suspend all operations in the immediate area of such discovery until written authorization to proceed is issued by the Authorized Officer. An evaluation of the discovery shall be made by the Authorized Officer to determine the appropriate actions that shall be required to prevent the loss of significant cultural or scientific values of the discovery. The operator shall be held responsible for the cost of the proper mitigation measures that the Authorized Officer assesses after consultation with the operator on the evaluation and decisions of the discovery. Any unauthorized collection or disturbance of cultural or paleontological resources may result in a shutdown order by the Authorized Officer.

III. NOXIOUS WEEDS

The operator shall be held responsible if noxious weeds become established within the areas of operations (access road and/or well pad). Weed control shall be required on the disturbed land where noxious weeds exist, which includes the roads, pads, associated pipeline corridor, and adjacent land affected by the establishment of weeds due to this action. The operator shall consult with the Authorized Officer for acceptable weed control methods, which include following EPA and BLM requirements and policies.

IV. CONSTRUCTION

A. NOTIFICATION:

The BLM shall administer compliance and monitor construction of the access road and well pad. Notify the Roswell Field Office at (505) 627-0247 at least 3 working days prior to commencing construction of the access road and/or well pad.

When construction operations are being conducted on this well, the operator shall have the approved Application for Permit to Drill and Conditions of Approval on the well site and they shall be made available upon request by the Authorized Officer.

B. TOPSOIL:

The topsoil will be stripped to approximately 6 inches in depth within the area designated for construction of the well pad. The operator shall stockpile the stripped topsoil on the side of the well pad. The topsoil will be used for interim and final reclamation of the surface disturbance created by the construction of the well pad. The topsoil shall not be used to backfill the reserve pit and will be used for interim and final reclamation.

C. CLOSED LOOP SYSTEM: No reserve pit shall be used.

The operator shall use a **Closed Loop System** instead of a reserve pit. The operator shall properly dispose of drilling contents at an authorized disposal site.

D. FEDERAL MINERAL MATERIALS PIT:

If the operator elects to surface the access road and/or well pad, mineral materials extracted during construction of the reserve pit may be used for surfacing the well pad and access road and other facilities on the lease.

Payment shall be made to the BLM prior to removal of any additional federal mineral materials from any site other than the reserve pit. Call the Roswell Field Office at (505) 627-0236.

E. WELL PAD SURFACING:

Surfacing of the well pad is not required.

If the operator elects to surface the well pad, the surfacing material may be required to be removed at the time of reclamation.

The well pad shall be constructed in a manner which creates the smallest possible surface disturbance, consistent with safety and operational need.

F. ON LEASE ACCESS ROADS:

Road Egress and Ingress

The access road shall be constructed to access the corner of the well pad.

Road Width

The access road shall have a driving surface that creates the smallest possible surface disturbance and does not exceed fourteen (14) feet in width. The maximum width of surface disturbance, when constructing the access road, shall not exceed thirty (30) feet.

Surfacing

Surfacing material is not required on the new access road driving surface. If the operator elects to surface the new access road or pad, the surfacing material may be required to be removed at the time of reclamation.

Where possible, no improvements should be made on the un-surfaced access road other than to remove vegetation as necessary, road irregularities, safety issues, or to fill low areas that may sustain standing water.

The Authorized Officer reserves the right to require surfacing of any portion of the access road at any time deemed necessary. Surfacing may be required in the event the road deteriorates, erodes, road traffic increases, or it is determined to be beneficial for future field development. The surfacing depth and type of material will be determined at the time of notification.

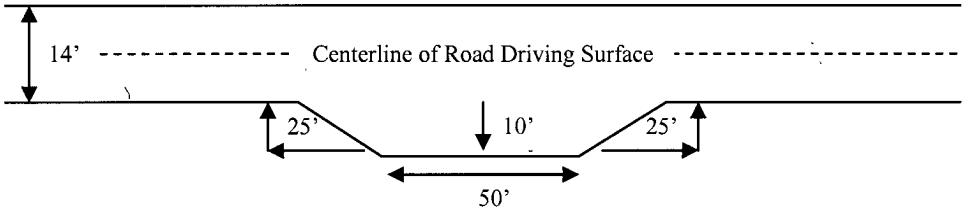
Crowning

Crowning shall be done on the access road driving surface. The road crown shall have a grade of approximately 2% (i.e., a 1" crown on a 14' wide road). The road shall conform to Figure 1; cross section and plans for typical road construction.

Turnouts

Vehicle turnouts shall be constructed on the road. Turnouts shall be intervisible with interval spacing distance less than 1000 feet. Turnouts shall be constructed on all blind curves. Turnouts shall conform to the following diagram:

Standard Turnout – Plan View

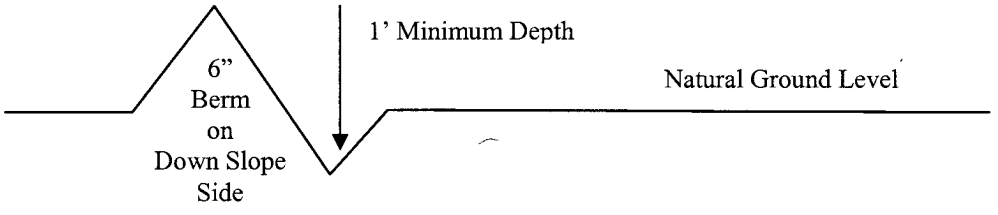


Drainage

Drainage control systems shall be constructed on the entire length of road (e.g. ditches, sidehill outsloping and insloping, lead-off ditches, culvert installation, and low water crossings).

A typical lead-off ditch has a minimum depth of 1 foot below and a berm of 6 inches above natural ground level. The berm shall be on the down-slope side of the lead-off ditch.

Cross Section Of Typical Lead-off Ditch



All lead-off ditches shall be graded to drain water with a 1 percent minimum to 3 percent maximum ditch slope. The spacing interval are variable for lead-off ditches and shall be determined according to the formula for spacing intervals of lead-off ditches, but may be amended depending upon existing soil types and centerline road slope (in %);

Formula For Spacing Interval Of Lead-off Ditches

Example - On a 4% road slope that is 400 feet long, the water flow shall drain water into a lead-off ditch. Spacing interval shall be determined by the following formula:

$$\text{400 foot road with 4\% road slope: } \frac{400'}{4\%} + 100' = 200' \text{ lead-off ditch interval}$$

Cattleguards

An appropriately sized cattleguard(s) sufficient to carry out the project shall be installed and maintained at fence crossing(s).

Any existing cattleguard(s) on the access road shall be repaired or replaced if they are damaged or have deteriorated beyond practical use. The operator shall be responsible for the condition of the existing cattleguard(s) that are in place and are utilized during lease operations.

A gate shall be constructed and fastened securely to H-braces.

Fence Requirement

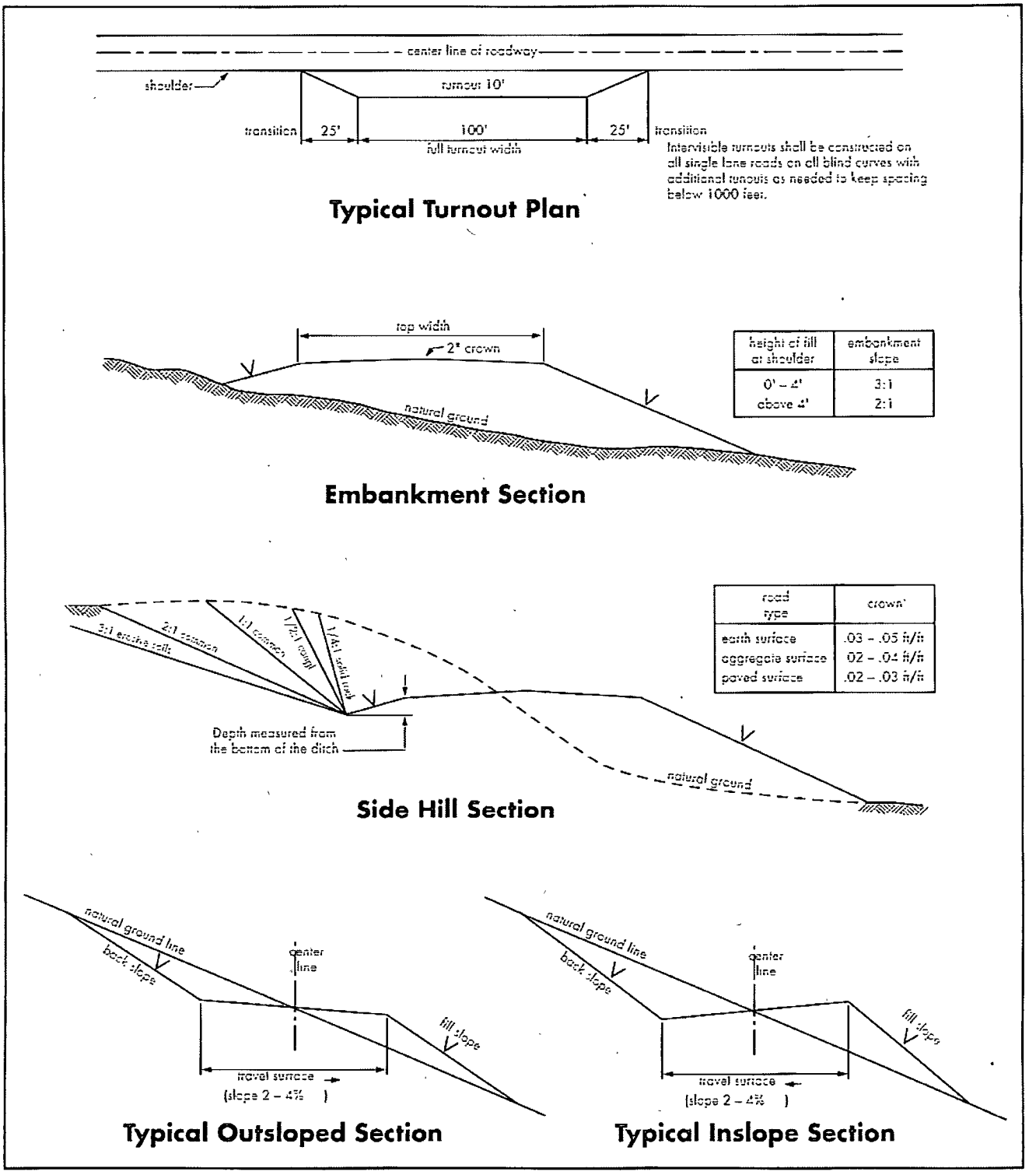
Where entry is required across a fence line, the fence shall be braced and tied off on both sides of the passageway prior to cutting.

The operator shall notify the private surface landowner or the grazing allotment holder prior to crossing any fence(s).

Public Access

Public access on this road shall not be restricted by the operator without specific written approval granted by the Authorized Officer.

Figure 1 – Cross Sections and Plans For Typical Road Sections



V. DRILLING

A. DRILLING OPERATIONS REQUIREMENTS

1. Call the Roswell Field Office, 2909 West Second St., Roswell, NM 88201. During office hours call (575) 627-0205 or after office hours call (575) 910-6024. Engineer on call during office hours call (575) 627-0275 or after office hours call (575) 626-5749.

2. The BLM is to be notified a minimum of 24 hours in advance for a representative to witness:

a. Spudding well
b. Setting and/or Cementing of all casing strings

The BLM is to be notified a minimum of 4 hours in advance for a representative to witness:

BOPE Tests

3. Unless the production casing has been run and cemented or the well has been properly plugged, the drilling rig shall not be removed from over the hole without prior approval.

4. Include the API Number assigned to well by NMOCD on the subsequent report of setting the first casing string.

5. A Communitization Agreement covering the acreage dedicated to this well must be filed for approval with the BLM. The effective date of the agreement shall be prior to any sales.

6. The operator will accurately measure the drilling rate in ft/min to set the base of the usable water protection casing string(s) opposite competent rock. The record of the drilling rate along with the caliper-gamma ray-neutron well log run to surface will be submitted to this office as well as all other logs run on the borehole 30 days from completion

7. Air, air-mist or fresh water and non toxic drilling mud shall be used to drill to the base of the usable water protection casing string(s). Any polymers used will be water based and non-toxic.

B. CASING

1. The 13-3/8 inch usable water protection casing string(s) shall be set at approximately 400 feet in competent bedrock.

If not the operator is required to set usable water protecting casing in the next thick competent bedding (i.e. 15 to 25 ft or greater) encountered and cemented to the surface.

a. If cement does not circulate to the surface, the Roswell Field Office shall be notified and a temperature survey utilizing an electronic type temperature survey with a surface log readout will be used or a cement bond log shall be run to verify the top of the cement.

b. Wait on cement (WOC) time for a primary cement job will be a minimum 18 hours for a water basin or 500 pounds compression strength, whichever is greater. (This is to include the lead cement).

c. Wait on cement (WOC) time for a remedial job will be a minimum of 4 hours after bringing cement to surface or 500 pounds compression strength, whichever is greater.

d. If cement falls back, remedial action will be done prior to drilling out that string.

2. The minimum required fill of cement behind the **9-5/8** inch intermediate casing is **sufficient to circulate to the surface.** If cement does not circulate see B.1.a-d above.

3. The minimum required fill of cement behind the **7** inch production casing is **sufficient to tie back 200 feet into the 9-5/8 inch intermediate casing set at approximately 3900 feet**. If cement does not circulate, a temperature survey utilizing an electronic type temperature survey with a surface log readout will be used or a cement bond log shall be run to verify the top of the cement.

4. There is no required fill of cement behind the **4-1/2** inch production casing since a Peak Systems Iso-Pak liner will be used for lateral and will not require cementing.

5. If hardband drill pipe is rotated inside casing, returns will be monitored for metal. If metal is found in samples, drill pipe will be pulled and rubber protectors which have a larger diameter than the tool joints of the drill pipe will be installed prior to continuing drilling operations.

6. All casing shall be new or reconditioned and tested casing and meet API standards for new casing. The use of reconditioned and tested casing shall be subject to approval by the authorized officer. Approval will be contingent upon the wall thickness of any casing being verified to be at least 87-1/2 per cent of the nominal wall thickness of new casing.

C. PRESSURE CONTROL:

1. Before drilling below the **13-3/8** inch surface casing shoe, the blowout preventer assembly shall consist of a minimum of One Annular Preventer or Two Ram-Type Preventers and a Kelly Cock/Stabbing Valve. Before drilling below the **9-5/8** inch intermediate casing shoe, the blowout preventer assembly shall consist of a minimum of One Annular Preventer, Two Ram-Type Preventers, and a Kelly Cock/Stabbing Valve.

2. Before drilling below the **13-3/8** inch surface casing shoe, minimum working pressure of the blowout preventer and related equipment (BOPE) shall be **2000** psi. Before drilling below the **9-5/8** inch intermediate casing shoe, minimum working pressure of the blowout preventer and related equipment (BOPE) shall be **3000** psi.

3. The BOPE shall be installed before drilling below the **13-3/8** inch surface casing and shall be tested as described in Onshore Order No. 2. Any equipment failing to test satisfactorily shall be repaired or replaced.

a. The BLM Roswell Field office shall be notified a minimum of 4 hours in advance for a representative to witness the tests.

b. The tests shall be done by an independent service company.

c. The BOP/BOPE test shall include a low pressure test from 250 to 300 psi. The test will be held for a minimum of 10 minutes if test is done with a test plug and 30 minutes without a test plug.

d. All tests are required to be recorded on a calibrated test chart. A copy of the BOP/BOPE test chart and a copy of independent service company test will be submitted to the BLM Roswell Field Office at 2909 West Second Street, Roswell, New Mexico 88201.

e. Testing fluid must be water or an appropriate clear liquid suitable for sub-freezing temperatures. Use of drilling mud for testing is not permitted since it can mask small leaks.

f. Testing must be done in a safe workman like manner. Hard line connections shall be required.

VI. PRODUCTION

A. WELL STRUCTURES & FACILITIES

Placement of Production Facilities

Production facilities should be placed on the well pad to allow for maximum interim re-contouring and re-vegetation of the well location.

Containment Structures

The containment structure shall be constructed to hold the capacity of the entire contents of the largest tank, plus 24 hour production, unless more stringent protective requirements are deemed necessary by the Authorized Officer.

Painting Requirement

All above-ground structures including meter housing that are not subject to safety requirements shall be painted a flat non-reflective paint color, Juniper Green (Standard Environmental Color Chart June 2008).

VRM Facility Requirement

Low-profile tanks not greater than eight-feet-high shall be used.

VII. INTERIM RECLAMATION & RESERVE PIT CLOSURE

A. INTERIM RECLAMATION

If the well is a producer, interim reclamation shall be conducted on the well site in accordance with the orders of the Authorized Officer. The operator shall submit a Sundry Notices and Reports on Wells (Notice of Intent), Form 3160-5, prior to conducting interim reclamation.

During the life of the development, all disturbed areas not needed for active support of production operations should undergo "interim" reclamation in order to minimize the environmental impacts of development on other resources and uses.

During reclamation, the removal of caliche is important to increasing the success of re-vegetating the site. Removed caliche may be used in road repairs, fire walls or for building other roads and locations. In addition, in order to operate the well or complete workover operations, it may be necessary to drive, park and operate on restored interim vegetation within the previously disturbed area. Disturbing re-vegetated areas for production or workover operations will be allowed. If there is significant disturbance and loss of vegetation, the area will need to be re-vegetated. Communicate with the appropriate BLM office for any exceptions/exemptions if needed.

Loamy, SD-3 Ecological Site; Loamy CP-2; Gyp Upland CP-2 (for Loamy HP-3)

Common Name and Preferred Variety	Scientific Name	Pounds of Pure Live Seed Per Acre
Blue grama,	*(Bouteloua gracilis)*	4.00 LBS.
Sideoats grama,	*(Bouteloua curtipendula)*	1.0 LB.
Sand dropseed	*(Sporobolus cryptandrus)*	0.5 LB.
Vine mesquite	*(Panicum obtusum)*	1.0 LB.
Plains bristlegrass	*(Setaria macrostachya)*	1.0 LB.
Indian blanketflower	*(Gaillardia aristata)*	0.5 LB.
Desert or Scarlet	*(Sphaeralcea ambigua)*	1.0 LB.
Globemallow or	*(S. coccinea)*	
Annual sunflower	(Helianthus annuus)	0.75 LB.
TOTAL POUNDS PURE LIVE SEED (pls) PER ACRE		9.75 LBS.

Certified Weed Free Seed. If one species is not available, increase ALL others proportionately.
Use No Less than 4 species, including one forb. No less than 9.75 pounds lbs per acre shall be applied.

VIII. FINAL ABANDONMENT & REHABILITATION REQUIREMENTS

a. Upon abandonment of the well and/or when the access road is no longer in service, a Notice of Intent for Final Abandonment with the proposed surface restoration procedure must be submitted for approval.

b. On private surface/federal mineral estate land the reclamation procedures on the road and well pad shall be accomplished in accordance with the Private Surface Land Owner agreements and a copy of the release is to be submitted upon abandonment.

c. Upon abandonment of the well, all casing shall be cut-off at the base of the cellar or 3-feet below final restored ground level (whichever is deeper). A 4-inch pipe, 10 feet in length, shall be installed 4 feet above ground and embedded in cement. The following information shall be permanently inscribed on the dry hole marker: Well name and number, the name of the operator, the lease serial number, the surveyed location (the quarter-quarter section, section, township and range or other authorized survey designation acceptable to the authorized officer; such as metes and bounds).

d. Surface Reclamation must be completed within 6 months of well plugging. If the operator proposes to modify the plans for surface reclamation approved on the APD, the operator must attach these modifications to the Subsequent Report of Plug and Abandon using Sundry Notices and Reports on Wells, Form 3160-5.