Form 3160-5
(February 2005)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

OCD-HOBBS

FORM APPROVED
OMB No 1004-0137
Expires March 31 2007

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or reenter an abandoned well. Use Form 3160-3 (APD) for such proposals.

SUBMIT IN TRIPLICATE – Other instructions on page 2.

5 Lease Serial No
NM-94095

6 If Indian, Allottee or Tribe Name

7 If Unit or CA/Agreement, Name and/o

1 Type of Well
[X] Oil Well [ ] Gas Well [ ] Other

8 Well Name and No
Caper BFE Federal #16H

2 Name of Operator
Yates Petroleum Corporation 025575

9 API Well No
30-025-38101

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

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

10 Field and Pool, or Exploratory Area
Lost Tank Delaware

4. Location of Well *(Footage, Sec , T , R , M , or Survey Description)*
330' FSL and 990' FWL Surface Hole Location, UL M
330' FNL and 660' FWL Bottom Hole Location, UL D
Section 17, T21S-R32E

11 County or Parish, State
Lea County, New Mexico

12 CHECK THE APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION			
[X] Notice of Intent	[ ] Acidize	[ ] Deepen	[ ] Production (Start/Resume)	[ ] Water Shut-Off
[ ] Subsequent Report	[ ] Alter Casing	[ ] Fracture Treat	[ ] Reclamation	[ ] Well Integrity
[ ] Final Abandonment Notice	[ ] Casing Repair	[ ] New Construction	[ ] Recomplete	[X] Other change bottom hole location
	[X] Change Plans	[ ] Plug and Abandon	[ ] Temporarily Abandon	
	[ ] Convert to Injection	[ ] Plug Back	[ ] Water Disposal	

13 Describe Proposed or Completed Operation Clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof If the proposal is to deepen directionally or recomplete horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones Attach the Bond under which the work will be performed or provide the Bond No on file with BLM/BIA Required subsequent reports must be filed within 30 days following completion of the involved operations If the operation results in a multiple completion or recompletion in a new interval, a Form 3160-4 must be filed once testing has been completed Final Abandonment Notices must be filed only after all requirements, including reclamation, have been completed, and the operator has

Yates Petroleum Corporation wishes to change the name from the Caper BFE Federal #16, a vertical drill, to the Caper BFE Federal # 16H, a horazontal drill. Attached is a new C-102 along with new engineering plans. Also attached are the Drilling Plan and the Surface Use Plan of Operations.

RECEIVED
JUL 02 2010
HOBBSOCD

SEE ATTACHED FOR CONDITIONS OF APPROVAL

14 I hereby certify that the foregoing is true and correct

Name *(Printed/Typed)* Clifton May — Title Land Regulatory Agent

Signature Clifton May — Date May 26, 2010

THIS SPACE FOR FEDERAL OR STATE USE

Approved by — Title PETROLEUM ENGINEER — Date JUN 29 2010

Conditions of approval, if any, are attached. Approval of this notice 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 — Office

APPROVED
/s/ Dustin Winkler
BUREAU OF LAND MANAGEMENT
CARLSBAD FIELD OFFICE

JUL 07 2010

Title 18 U.S.C Section 1001, 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

(Instructions on reverse)

KZ

COA

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

RECEIVED
JUL 02 2010
HOBBSOCD

Form C-102
Revised October 15, 2009
Submit one copy to appropriate District Office

OIL CONSERVATION DIVISION

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

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Pool Name
30-025-38101	40299	Lost Tank ~~Wildcat~~ Delaware

Property Code	Property Name	Well Number
34414	CAPER "BFE" FEDERAL	16H

OGRID No.	Operator Name	Elevation
025575	YATES PETROLEUM CORP.	3628'

Surface Location

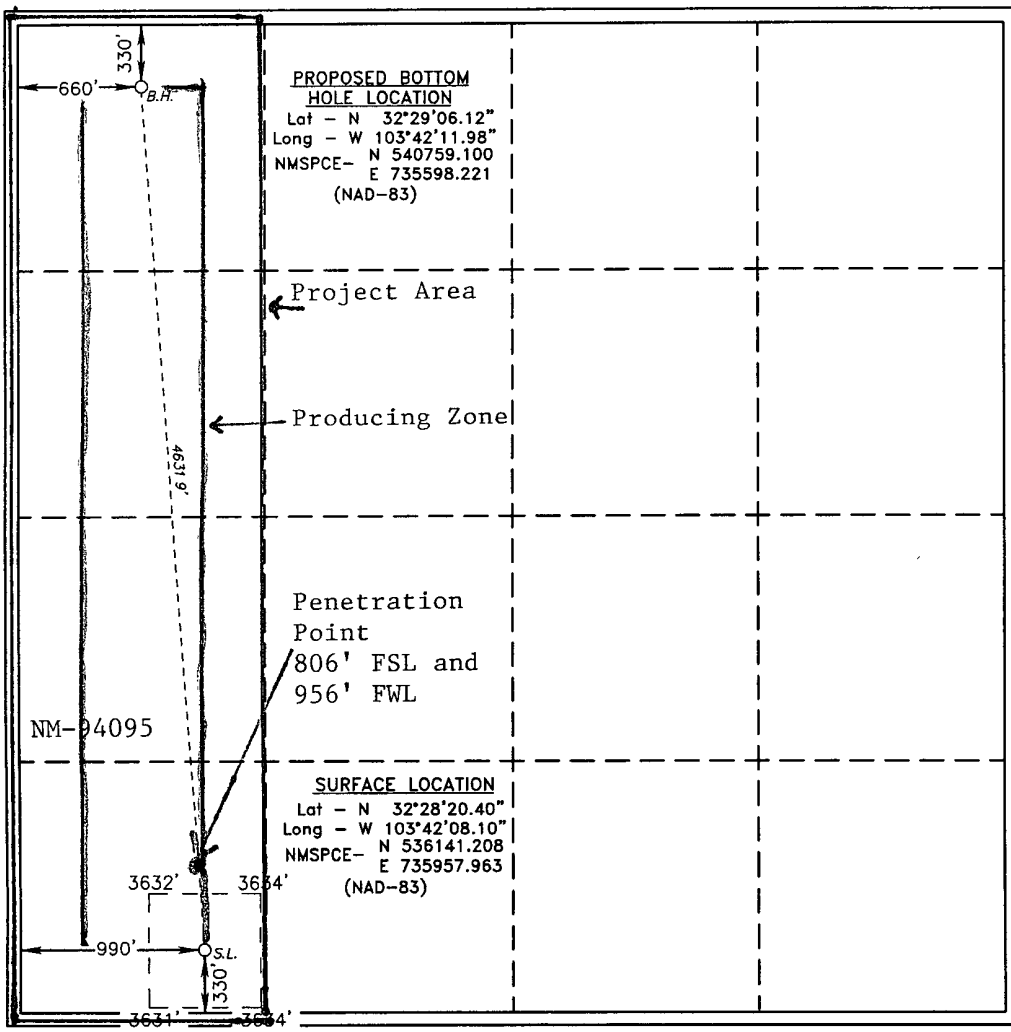
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
M	17	21 S	32 E		330	SOUTH	990	WEST	LEA

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
D	17	21 S	32 E		330	NORTH	660	WEST	LEA

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 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.

Clifton May 5/25/10
Signature Date

Clifton May
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.

Date Surveyed

Signature & Seal of Professional Surveyor

GARY L. JONES
NEW MEXICO
7977
REGISTERED PROFESSIONAL SURVEYOR

W.O. No. 228AE

Certificate No. Gary L. Jones 7977

BASIN SURVEYS

YATES PETROLEUM CORPORATION
Caper "BFE" Federal #16H
330' FSL and 990' FWL Surface Hole Location
330' FNL & 660' FWL Bottom Hole Location
Section 17-T21S-R32E
Lea County, New Mexico

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

Rustler	1028'	Cherry Canyon	5396'-Oil
Top of Salt	1114'	Brushy Canyon	6703'-Oil
Bottom of Salt	4180'	U Sand Equiv	8050'-Oil
Bell Canyon	4482 Oil	Brushy Target	8410'-Oil
		TMD	12836'

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

   Water: 170'
   Oil or Gas: Oil Zones: 4482', 5396', 6703', 8050' & 8410'.

3. Pressure Control Equipment: BOPE will be installed on the 13 3/8" and the 8 5/8" casing and rated for 3000# 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 B.

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

Hole Size	Casing Size	Wt./Ft	Grade	Coupling	Interval	Length
17 1/2"	13 3/8"	48#	H-40	ST&C	0-1050'	1050'
11"	8 5/8"	32#	J-55	ST&C	0-4200'	4200'
11"	8 5/8"	32#	HCK-55	ST&C	4200-4300'	100'
7 7/8"	5 1/2"	17#	P- 110	LT&C	0'-8700'	8700'
7 7/8"	5 1/2"	17 #	L-80	LT&C	8700-12836'	4136'

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

   B. CEMENTING PROGRAM:

   Surface Casing: Lead with 600 sacks C Lite (Wt. 12.50 Yld 1.98). Tail in with 200 sacks C (Wt. 14.80 Yld. 1.34). TOC surface.

   Intermediate Casing: Lead with 975 sacks of C Lite (Wt 12.50 Yld 1.98). Tail in with 200 sacks C (Wt. 14.80 Yld. 1.34). TOC surface

   Production Casing: Production cement to be done in two stages with stage tools at approximately 4200'.

Stage 1: Cement with 2125 sacks Pecos Valley Lite (Wt. 13.00 Yld. 1.41). TOC 4200'.

Stage 2: Lead with 500 sacks Lite Crete (Wt 11.90 Yld. 2.66). Tail in with 100 sacks C (Wt 14.80 Yld. 1.34). TOC Surface.

Well will be drilled vertically to7932' then kicked off and directionally drilled at 12 degrees per 100' with a 7 7/8" hole to 8682' MD (8410' TVD). A 7 7/8" hole will then be drilled to 12836' (8410'TVD) where 5 ½" casing will be set and cemented. Penetration point of producing zone will be encountered at 806' FSL & 956' FWL, 17-21S-32E. Deepest TVD in the well is 8410'.

6. MUD PROGRAM AND AUXILIARY EQUIPMENT:

Interval	Type	Weight	Viscosity	Fluid Loss
0-1050'	Fresh Water	8.60-9.20	29-36	N/C
1050'-4300'	Brine Water	10.00-10.20	28-30	N/C
4300'-12836'	Cut Brine	8.90-9.30	28-34	<=15

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. Rig personnel will check mud hourly.

7. EVALUATION PROGRAM:

Samples: 30' samples to 4000'. 10' samples from 4000' to TD. Mudlogging from surface casing.
Logging: Platform Express-CMR
Coring: None anticipated
DST's: None Anticipated

8. ABNORMAL CONDITIONS, BOTTOM HOLE PRESSURE, AND POTENTIAL HAZARDS:

Maximum Anticipated BHP:

0'-1050'	500 PSI
1050'-4300'	2280 PSI
4300'-8410'	4067 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 60 days to drill the well with completion taking another 20 days.

YATES PETROLEUM CORPORATION
Caper "BFE" Federal #16H
330' FSL and 990' FWL Surface Hole Location
330' FNL & 660' FWL Bottom Hole Location
Section 17-T21S-R32E
Lea County, New Mexico

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

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Bottom of Salt	4180'	U Sand Equiv	8050'-Oil
Bell Canyon	4482 Oil	Brushy Target	8410'-Oil
		TMD	12836'

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

Water: 170'
Oil or Gas: Oil Zones: 4482', 5396', 6703', 8050' & 8410'.

3. Pressure Control Equipment: BOPE will be installed on the 13 3/8" and the 8 5/8" casing and rated for 3000# 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 B.

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5. THE PROPOSED CASING AND CEMENTING PROGRAM:

A. Casing Program: All new casing to be used

Replaced 6-21-10 DW

Hole Size	Casing Size	Wt./Ft	Grade	Coupling	Interval	Length
17 1/2"	13 3/8"	48#	H-40	ST&C	0-1225'	1225'
11 3/4"	8 5/8"	32#	J-55	ST&C	0-4100'	4100'
11 3/4"	8 5/8"	32#	J-55	ST&C	4100'-4950	850'
7 7/8"	5 1/2"	17#	P- 110	LT&C	0'-8000'	8000'
7 7/8"	5 1/2"	17 #	L-80	LT&C	8000-12836'	4836'

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

B. CEMENTING PROGRAM:

Surface Casing: Lead with 725 sacks C Lite (Wt. 12.50 Yld 1.98). Tail in with 200 sacks C (Wt. 14.80 Yld. 1.34). TOC surface.

Intermediate Casing: Lead with 1150 sacks of C Lite (Wt 12.50 Yld 1.98). Tail in with 210 sacks C (Wt. 14.80 Yld. 1.34). TOC surface

Production Casing: Production cement to be done in two stages with stage tools at approximately 4200'.

Stage 1: Cement with 1825 sacks Pecos Valley Lite (Wt. 13.00 Yld. 1.41). TOC 4200'.

Stage 2: Lead with 600 sacks Lite Crete (Wt 11.90 Yld. 2.66). Tail in with 100 sacks C (Wt 14.80 Yld. 1.34). TOC Surface.

Well will be drilled vertically to7932' then kicked off and directionally drilled at 12 degrees per 100' with a 7 7/8" hole to 8682' MD (7040' TVD). A 7 7/8" hole will then be drilled to 12836' (8410'TVD) where 5 ½" casing will be set and cemented. Penetration point of producing zone will be encountered at 806' FSL & 956' FWL, 17-21S-32E. Deepest TVD in the well is 8410'.

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4950'-12836'	Cut Brine	8.90-9.30	28-34	<=15

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. Rig personnel will check mud hourly.

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Logging: Platform Express-CMR
Coring: None anticipated
DST's: None Anticipated

8. ABNORMAL CONDITIONS, BOTTOM HOLE PRESSURE, AND POTENTIAL HAZARDS:

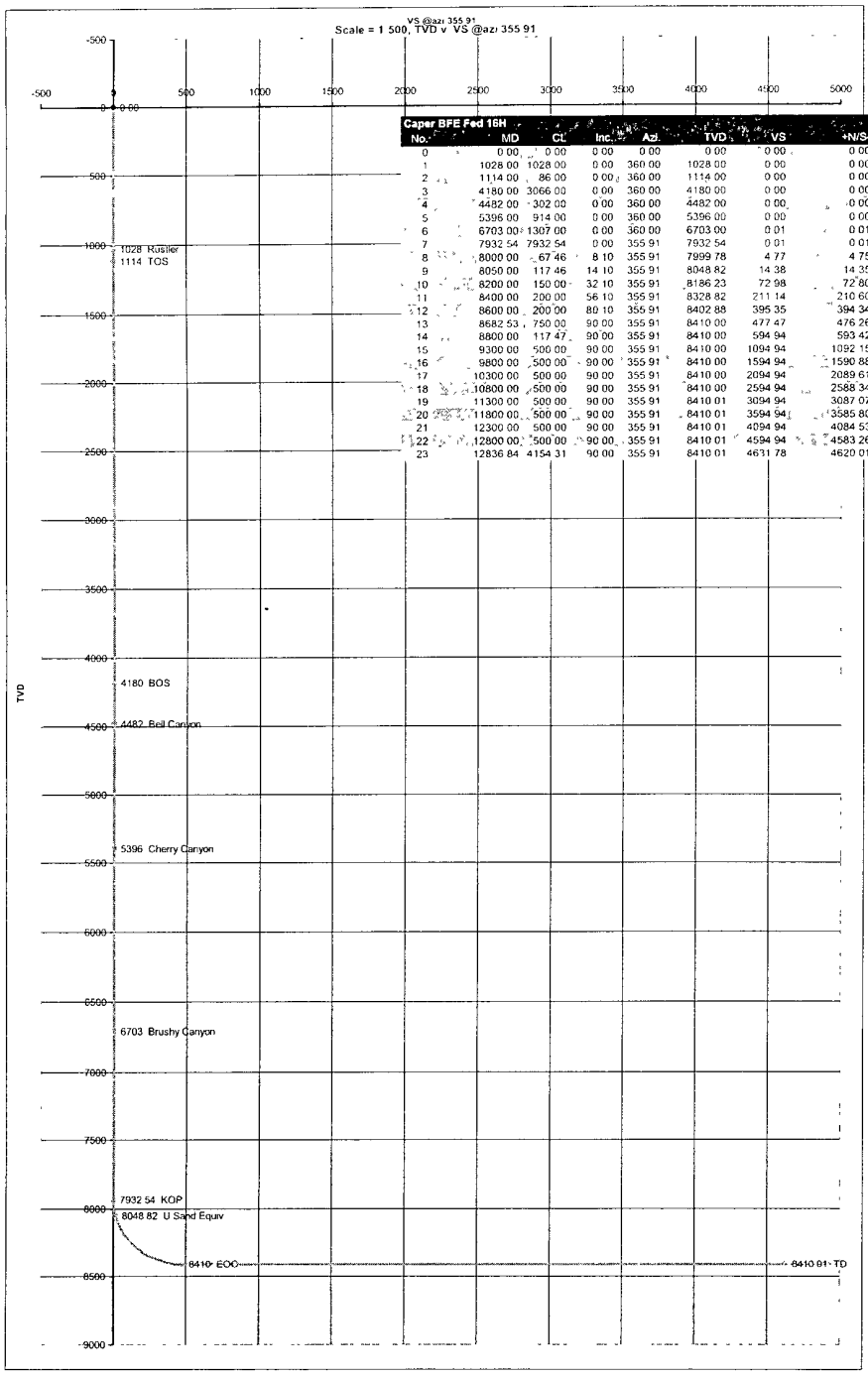
Maximum Anticipated BHP:

0'-1225'	586 PSI
1225'-4950'	2625 PSI
4950'-8410'	4067 PSI

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

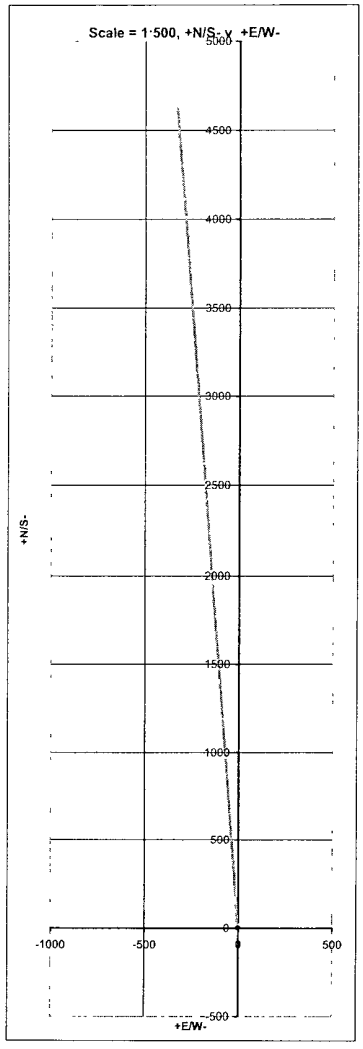
9. ANTICIPATED STARTING DATE:
Plans are to drill this well as soon as possible after receiving approval. It should take approximately 60 days to drill the well with completion taking another 20 days.

Replaced 6-21-10 DW



Caper BFE Fed 16H

No.	MD	CL	Inc.	Azi	TVD	VS	+N/S-	+E/W-	BR	WR	DLS	Comments
0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00				
1	1028.00	1028.00	0.00	360.00	1028.00	0.00	0.00	0.00	0.00	0.00	0.00	Rustler
2	1114.00	86.00	0.00	360.00	1114.00	0.00	0.00	0.00	0.00	0.00	0.00	TOS
3	4180.00	3066.00	0.00	360.00	4180.00	0.00	0.00	0.00	0.00	0.00	0.00	BOS
4	4482.00	302.00	0.00	360.00	4482.00	0.00	0.00	0.00	0.00	0.00	0.00	Bell Canyon
5	5396.00	914.00	0.00	360.00	5396.00	0.00	0.00	0.00	0.00	0.00	0.00	Cherry Canyon
6	6703.00	1307.00	0.00	360.00	6703.00	0.01	0.01	0.00	0.00	0.00	0.00	Brushy Canyon
7	7932.54	7932.54	0.00	355.91	7932.54	0.01	0.01	0.00	0.00	-0.05	0.00	KOP
8	8000.00	67.46	8.10	355.91	7999.78	4.77	4.75	-0.34	12.00	0.00	12.00	
9	8050.00	117.46	14.10	355.91	8048.82	14.38	14.35	-1.02	12.00	0.00	12.00	U Sand Equiv
10	8200.00	150.00	32.10	355.91	8186.23	72.98	72.80	-5.20	12.00	0.00	12.00	
11	8400.00	200.00	56.10	355.91	8328.82	211.14	210.60	-15.04	12.00	0.00	12.00	
12	8600.00	200.00	80.10	355.91	8402.88	395.35	394.34	-28.17	12.00	0.00	12.00	
13	8682.53	750.00	90.00	355.91	8410.00	477.47	476.26	-34.02	12.00	0.00	12.00	EOC
14	8800.00	117.47	90.00	355.91	8410.00	594.94	593.42	-42.39	0.00	0.00	0.00	
15	9300.00	500.00	90.00	355.91	8410.00	1094.94	1092.15	-78.01	0.00	0.00	0.00	
16	9800.00	500.00	90.00	355.91	8410.00	1594.94	1590.88	-113.63	0.00	0.00	0.00	
17	10300.00	500.00	90.00	355.91	8410.00	2094.94	2089.61	-149.26	0.00	0.00	0.00	
18	10800.00	500.00	90.00	355.91	8410.00	2594.94	2588.34	-184.88	0.00	0.00	0.00	
19	11300.00	500.00	90.00	355.91	8410.01	3094.94	3087.07	-220.50	0.00	0.00	0.00	
20	11800.00	500.00	90.00	355.91	8410.01	3594.94	3585.80	-256.13	0.00	0.00	0.00	
21	12300.00	500.00	90.00	355.91	8410.01	4094.94	4084.53	-291.75	0.00	0.00	0.00	
22	12800.00	500.00	90.00	355.91	8410.01	4594.94	4583.26	-327.37	0.00	0.00	0.00	
23	12836.84	4154.31	90.00	355.91	8410.01	4631.78	4620.01	-330.00	0.00	0.00	0.00	TD



Co: 0	Units: Feet, °, °/100ft	VS Az: 355.91	Tgt TVD: 8410.00
Drillers: 0	Elevation:	Tgt Radius: 0.00	Tgt MD: 0.00
Well Name: Caper BFE Fed #16H	Northing:	Tgt N/S: 4620.00	Tgt Displ.: 0.00
Location: 0	Easting:	Tgt E/W: -330.00	Method: Minimum Curvature

Caper BFE Fed 16H

No.	MD	CL	Inc.	Azi.	TVD	VS	+N/S-	+E/W-	BR	WR	DLS	Comments
0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00				
1	1028.00	1028.00	0.00	360.00	1028.00	0.00	0.00	0.00	0.00	0.00	0.00	Rustler
2	1114.00	86.00	0.00	360.00	1114.00	0.00	0.00	0.00	0.00	0.00	0.00	TOS
3	4180.00	3066.00	0.00	360.00	4180.00	0.00	0.00	0.00	0.00	0.00	0.00	BOS
4	4482.00	302.00	0.00	360.00	4482.00	0.00	0.00	0.00	0.00	0.00	0.00	Bell Canyon
5	5396.00	914.00	0.00	360.00	5396.00	0.00	0.00	0.00	0.00	0.00	0.00	Cherry Canyon
6	6703.00	1307.00	0.00	360.00	6703.00	0.01	0.01	0.00	0.00	0.00	0.00	Brushy Canyon
7	7932.54	7932.54	0.00	355.91	7932.54	0.01	0.01	0.00	0.00	-0.05	0.00	KOP
8	8000.00	67.46	8.10	355.91	7999.78	4.77	4.75	-0.34	12.00	0.00	12.00	
9	8050.00	117.46	14.10	355.91	8048.82	14.38	14.35	-1.02	12.00	0.00	12.00	U Sand Equiv
10	8200.00	150.00	32.10	355.91	8186.23	72.98	72.80	-5.20	12.00	0.00	12.00	
11	8400.00	200.00	56.10	355.91	8328.82	211.14	210.60	-15.04	12.00	0.00	12.00	
12	8600.00	200.00	80.10	355.91	8402.88	395.35	394.34	-28.17	12.00	0.00	12.00	
13	8682.53	750.00	90.00	355.91	8410.00	477.47	476.26	-34.02	12.00	0.00	12.00	EOC
14	8800.00	117.47	90.00	355.91	8410.00	594.94	593.42	-42.39	0.00	0.00	0.00	
15	9300.00	500.00	90.00	355.91	8410.00	1094.94	1092.15	-78.01	0.00	0.00	0.00	
16	9800.00	500.00	90.00	355.91	8410.00	1594.94	1590.88	-113.63	0.00	0.00	0.00	
17	10300.00	500.00	90.00	355.91	8410.00	2094.94	2089.61	-149.26	0.00	0.00	0.00	
18	10800.00	500.00	90.00	355.91	8410.00	2594.94	2588.34	-184.88	0.00	0.00	0.00	
19	11300.00	500.00	90.00	355.91	8410.01	3094.94	3087.07	-220.50	0.00	0.00	0.00	
20	11800.00	500.00	90.00	355.91	8410.01	3594.94	3585.80	-256.13	0.00	0.00	0.00	
21	12300.00	500.00	90.00	355.91	8410.01	4094.94	4084.53	-291.75	0.00	0.00	0.00	
22	12800.00	500.00	90.00	355.91	8410.01	4594.94	4583.26	-327.37	0.00	0.00	0.00	
23	12836.84	4154.31	90.00	355.91	8410.01	4631.78	4620.01	-330.00	0.00	0.00	0.00	TD

MULTI-POINT SURFACE USE AND OPERATIONS PLAN
YATES PETROLEUM CORPORATION
Caper "BFE" Federal #16H
330' FSL & 990' FWL, Surface Hole
330' FNL & 660' FWL, Bottom Hole
Section 17-T21S-R32E
Lea 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 38 miles northeast of Carlsbad, New Mexico and the access route to the location is indicated in red and green on Exhibit A.

DIRECTIONS: From downtown Carlsbad, New Mexico at the light at the intersection of 285 & 62/180 turn east. Stay on 62/180 for about 29.5 miles to Campbell Road (C-29). Turn south and go about 5.7 miles to a cattle guard on the left. Turn east and follow the road for about a mile. Turn right at the "T" and go 0.1 of a mile and the road turns east. Go about 0.25 of a mile and turn north. The new road will start here and go to the southeast corner of the pad.

2. PLANNED ACCESS ROAD:

A. The proposed new access will be approximately 0.1 of a mile in length from the point of origin to the southwest corner of the drilling pad.
B. The new road will be 14 feet 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 both sides. No traffic turnouts will be 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 production facilities on this lease at the present time.

B. In the event that the well is productive, the necessary production facilities will be installed on the drilling pad. If the well is productive oil, a gas or diesel self-contained unit will be used to provide the necessary power until an electric line can be built, if needed.

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 be responsible for finding a source of material for construction of road and pad and will obtain any permits that may be required.

7. METHODS OF HANDLING WASTE DISPOSAL:

A. This well will be drilled with a closed loop system
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. Drilling fluids will be removed after drilling and completions are completed.
D. Water produced during operations will be collected in tanks until hauled to an approved disposal system, or separate disposal application will be submitted.
E. Oil produced during operations will be stored in tanks until sold.
F. Current laws and regulations pertaining to the disposal of human waste will be complied with.
G. 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 C shows the relative location and dimensions of the well pad, the reserve pits, the location of the drilling equipment, pulling unit orientation and access road approach. Note: Pits to north.
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.
B. Unguarded pits, if any, containing fluids will be fenced until they have dried and have been leveled.
C. If the proposed well is plugged and abandoned, all rehabilitation and/or vegetation requirements of the Bureau of Land Management will be complied with and will be accomplished as expeditiously as possible

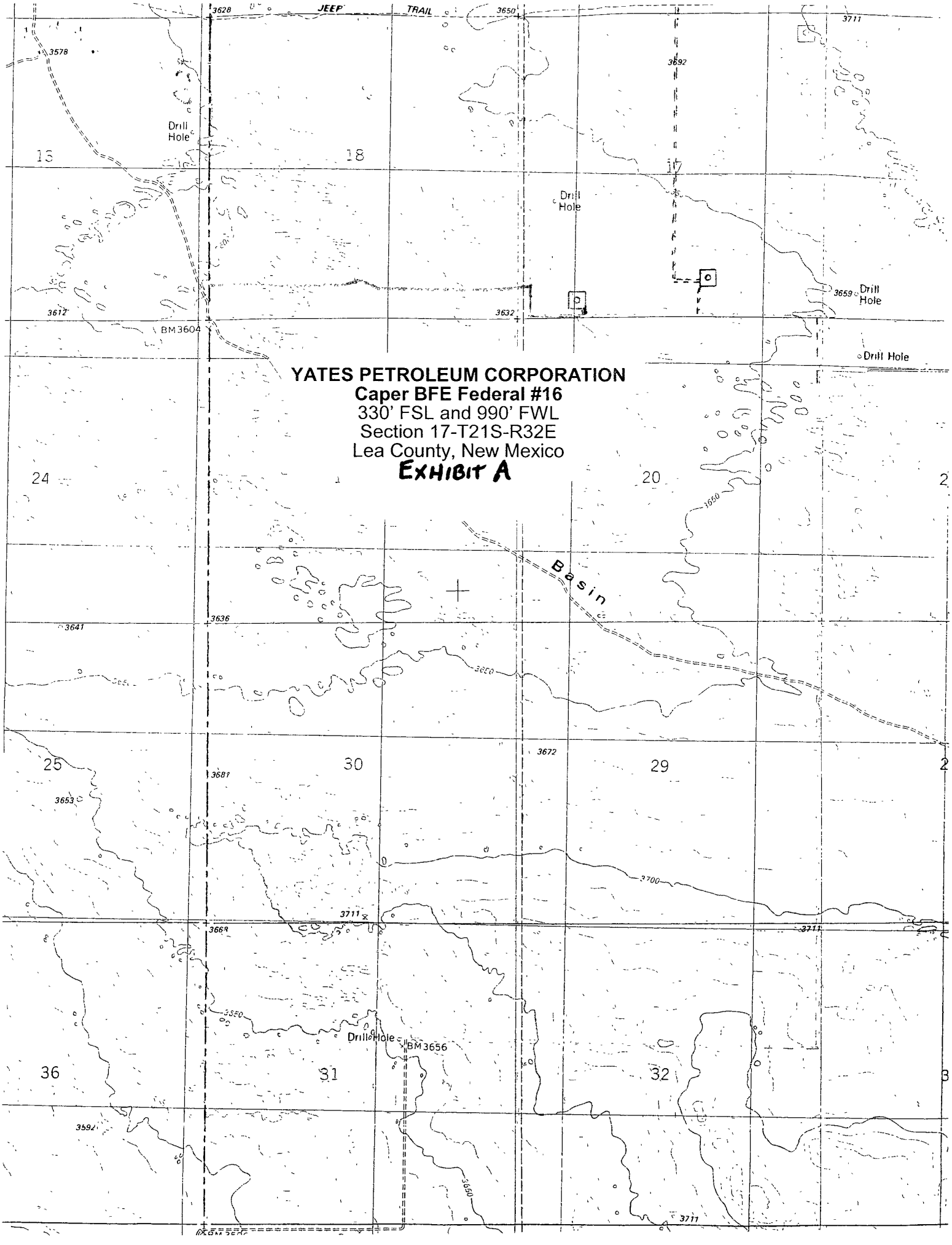
11. SURFACE OWNERSHIP:

Federal Lands under the supervision of the Carlsbad BLM. .

12. OTHER INFORMATION:

A. The primary use of the surface is for grazing.

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


JEEP TRAIL
Drill Hole
BM3604
Drill Hole
Drill Hole
Drill Hole
BM3656
Basin
13
18
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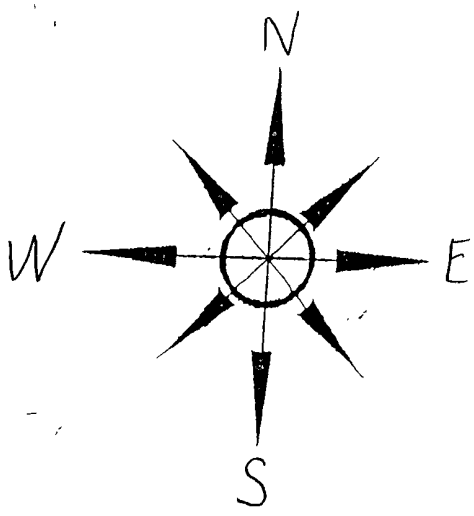
32
YATES PETROLEUM CORPORATION
Caper BFE Federal #16
330' FSL and 990' FWL
Section 17-T21S-R32E
Lea County, New Mexico
EXHIBIT A

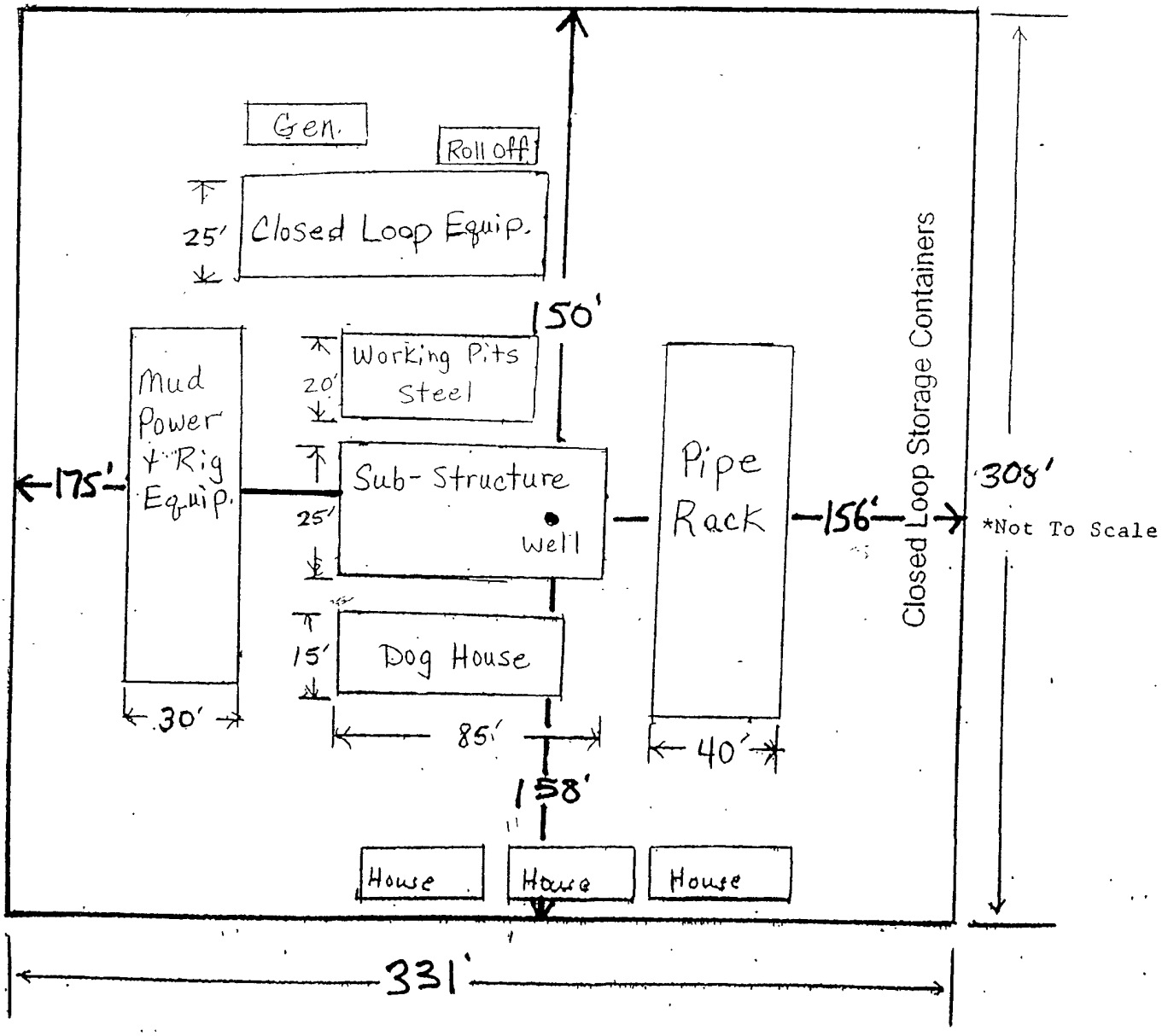


Yates Petroleum Corporation

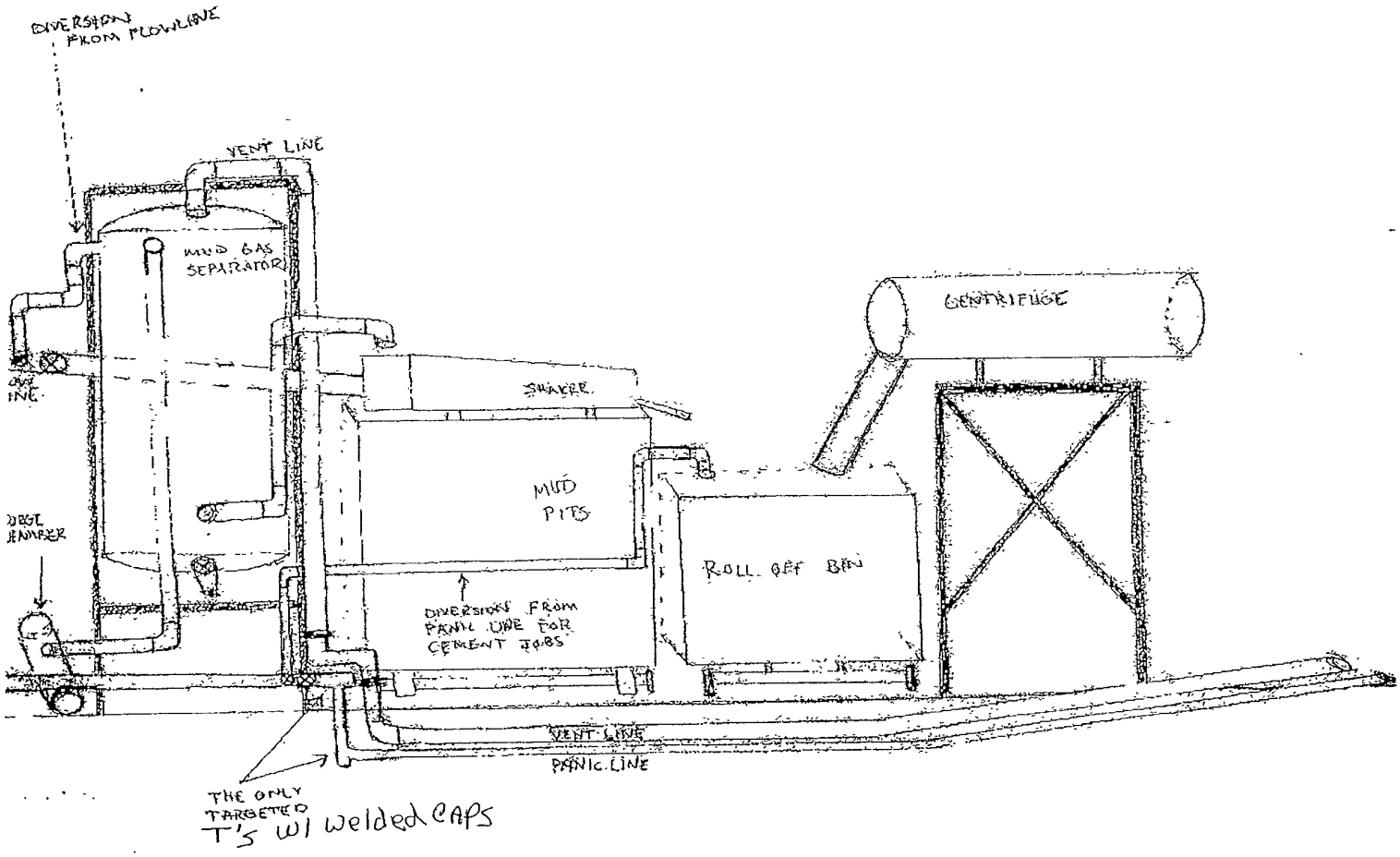
Location Layout for Permian Basin

Closed Loop Design Plan

Caper BFE Federal #16H
330' FSL and 990' FWL, Surface Hole
330' FNL and 660' FWL, Bottom Hole
Section 17, T21S-R32E
Lea County, New Mexico
Exhibit "C"



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



Caper BFE Federal #16H
330' FSL and 990' FWL, Surface Hole
330' FNL and 660' FWL, Bottom Hole
Section 17, T21S-R32E
Lea County, New Mexico
Exhibit "C-1"

YATES PETROLEUM CORPORATION
Caper BFE Federal #16H
330' FSL & 990' FWL, Surface Hole
330' FNL & 660' FWL, Bottom Hole
Section 17-T21S-R32E
Lea County, New Mexico

Plans for Interim and Final Surface Reclamation.

1. Well location will be contoured to resemble the original topography as closely as possible. Surface reclamation measures will be taken to avoid new erosion on the well location and the area surrounding the well location. These measures will be overseen by Yates' personnel following a structured plan for the reclamation of each individual site.
2. Major drainage systems will be avoided as determined at the onsite with the BLM. Minor drainages may be rerouted around the well site within the 600' x 600' cleared area to avoid moving the well location.
3. Segregation of topsoil or like soils will be placed in low lift rows rather than in a stockpile just off the caliche well pad. Placement of these lift rows will be determined at the BLM onsite or at the time of construction by Yates Personnel.
4. Yates will use prudent oil field practices when constructing well locations and related facilities. Yates personnel will determine the size of the well location needed for safe working conditions for personnel during all aspects on the drilling and production process.
5. Back fill requirements for above ground reserve pits will be met by using cut, fill, and contouring of available top soil and like soils from the pit area. Should additional material be needed it will be brought in from a BLM approved source.
6. All topsoil will be spread over the area reclaimed during interim reclamation using a front end loader. For final reclamation enough topsoil will be evenly distributed between the interim reclaimed area and the final reclaimed area. This method of soil stabilization should help maintain the productivity and viability of the topsoil.
7. Soil treatments will be determined at the time of final reclamation by Yates' Environmental Specialist or other designated personnel to meet BLM final reclamation goals.
8. Reseeding of disturbed areas will be accordance with the seed mixtures attached to the approved APD as Conditions of Approval. Planting and soil preparation will be done during the rainy season between June 1st and September 1st.
9. Yates' personnel will control weeds during the productive period through final abandonment of the well. Yates may also use the option to hire a third party to be in charge of weed control or participate in the Chaves Soil and Water District program to pool monies for weed control.
10. Well pads, roads and related facilities with caliche or other surfacing material will be picked up or turned over at the time of final abandonment. These materials may be used on other projects in the area if possible or placed back in the caliche pit or other designated site. Buried pipelines will be left in place after being bled down and purged. Above surface support equipment will be removed or cut down below plow depth and removed. Pipeline right-of-ways will be reseeded according to BLM Best Management Practices.

CERTIFICATION
YATES PETROLEUM CORPORATION
Caper BFE Federal #16H
330' FSL & 990' FWL, Surface Hole
330' FNL & 660' FWL. Bottom Hole
Section 17-T21S-R32E
Lea County, New Mexico

I hereby certify that I or the company I represent, have inspected the drill site and access route proposed herein; that the company I represent is familiar with the conditions which currently exist; that 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 the company I represent is 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 May, 2010.

Printed Name Clifton May

Signature Clifton May

Position Title Land Regulatory Agent

Address 105 South Fourth Street, Artesia, NM 88210

Telephone 575-748-4347

E-mail (optional) cliff@yatespetroleum.com

Field Representative (if not above signatory) Tim Bussell

Address (if different from above) Same

Telephone (if different from above) 575-748-4221

E-mail (optional) _____

RECEIVED
JUL 02 2010
HOBBSOCD

Yates Petroleum Corporation

105 S. Fourth Street
Artesia, NM 88210

Hydrogen Sulfide (H_2S) Contingency Plan

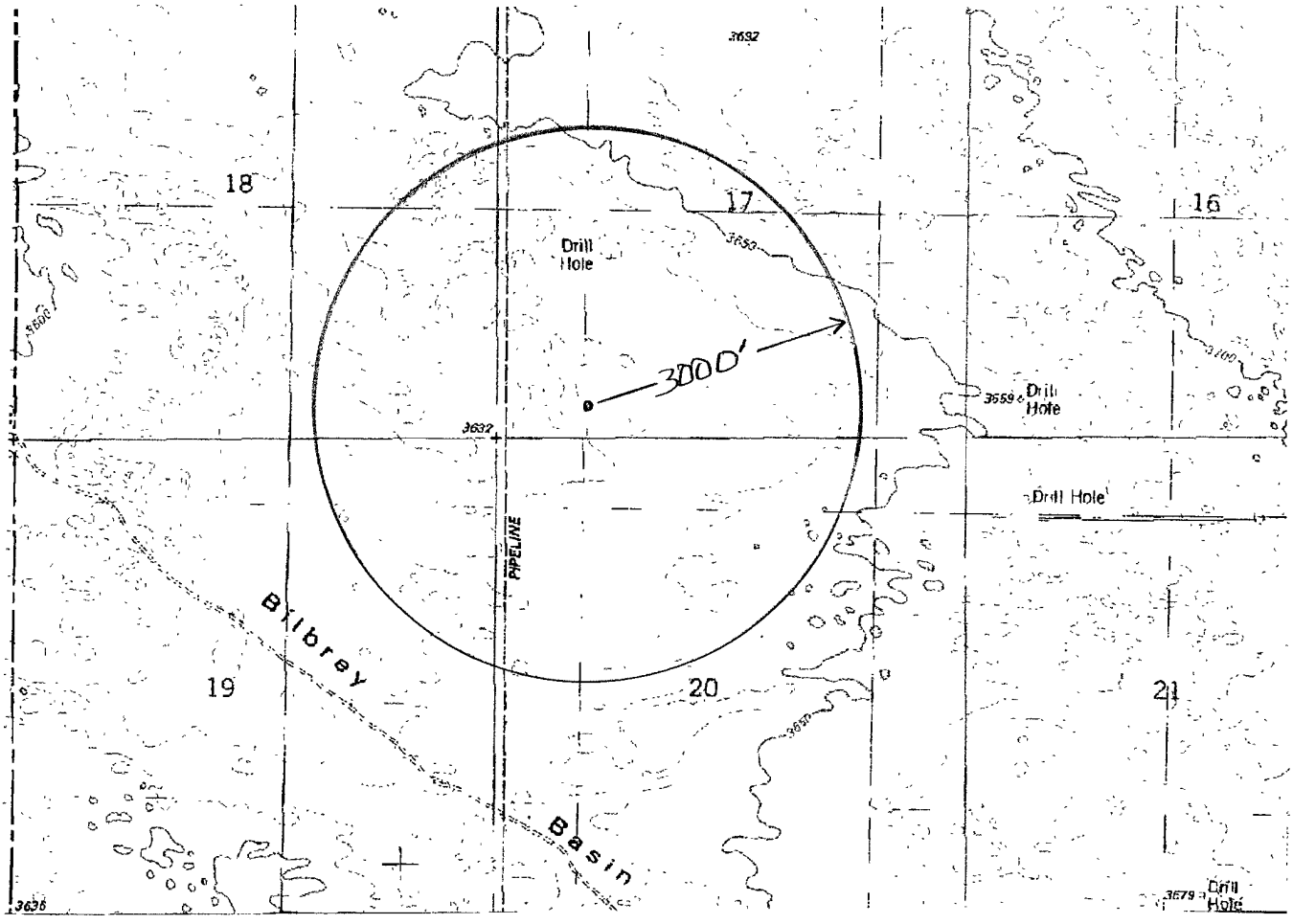
For

Caper BFE Federal #16H

330' FSL & 990' FWL, Surface Hole Location
330' FNL & 660' FWL, Bottom Hole Location
Section 17-T21S-R32E
Lea County, New Mexico

Caper BFE Federal 16H

This is an open drilling site. H_2S monitoring equipment and emergency response equipment will be used within 500' of zones known to contain H_2S, including warning signs, wind indicators and H_2S monitor.



Assumed 100 ppm ROE = 3000'

100 ppm H2S concentration shall trigger activation of this plan.

Emergency Procedures

In the case of a release of gas containing H_2S, the first responder(s) must isolate the area and prevent entry by other persons into the 100 ppm ROE. Additionally the first responder(s) must evacuate any public places encompassed by the 100 ppm ROE. First responder(s) must take care not to injure themselves during this operation. Company and/or local officials must be contacted to aid in this operation. Evacuation of the public should be beyond the 100 ppm ROE.

All responders must have training in the detection of H_2S, measures for protection against the gas, equipment used for protection and emergency response. Additionally, responders must be equipped with H_2S monitors and air packs in order to control the release. Use the "buddy system' to ensure no injuries during the response.

Ignition of Gas Source

Should control of the well be considered lost and ignition considered, take care to protect against exposure to Sulfur Dioxide (SO_2). Intentional ignition must be coordinated with the NMOCD and local officials. Additionally the NM State Police may become involved. NM State Police shall be the Incident Command on scene of any major release. Take care to protect downwind whenever there is an ignition of the gas

Characteristics of H_2S and SO_2

Common Name	Chemical Formula	Specific Gravity	Threshold Limit	Hazardous Limit	Lethal Concentr-ation
Hydrogen Sulfide	**H_2S**	**1.189 Air = 1**	**10 ppm**	**100 ppm/hr**	**600 ppm**
Sulfur Dioxide	**SO_2**	**2.21 Air = 1**	**2 ppm**	**N/A**	**1000 ppm**

Contacting Authorities

YPC personnel must liaison with local and state agencies to ensure a proper response to a major release. Additionally, the OCD must be notified of the release as soon as possible but no later than 4 hours. Agencies will ask for information such as type and volume of release, wind direction, location of release, etc. Be prepared with all information available. The following call list of essential and potential responders has been prepared for use during a release. YPC Company response must be in coordination with the State of New Mexico's 'Hazardous Materials Emergency Response Plan' (HMER)

Yates Petroleum Corporation Phone Numbers

YPC Office ..... (575) 748-1471
Darrick Stallings/Operations Manager ..... (575) 748-4198
Wade Bennett/Prod Superintendent ..... (575) 748-4236
LeeRoy Richards/Assistant Prod Superintendent (575) 748-4228
Mike Larkin/Drilling ..... (575) 748-4222
Paul Hanes/Prod. Foreman/Roswell ..... (575) 624-2805
Tim Bussell/Drilling Superintendent ..... (575) 748-4221
Artesia Answering Service ..... (575) 748-4302
(During non-office hours)

Agency Call List

Lea County (575)

Jal

State Police .....827-7130 Eunice
City Police.....395-2501
Sheriff's Office 395-2121
Ambulance.....911
Fire Department 395-2221
NMOCD.....393-6161 Hobbs

Hobbs

State Police 392-5588
City Police.....397-9265
Sheriff's Office.....397-9262
Ambulance.....911
Fire Department 397-9308
LEPC (Local Emergency Planning Committee)..... 887-3798

US Bureau of Land Management.....887-6544 Carlsbad
New Mexico Emergency Response Commission (Santa Fe) (505)476-9600
24 HR .....(505) 827-9126
New Mexico State Emergency Operations Center.....(505) 476-9635
National Emergency Response Center (Washington, DC) ...(800) 424-8802

Other

Boots & Coots IWC .....1-800-256-9688 or (281) 931-8884
Cudd Pressure Control.....(915) 699-0139 or (915) 563-3356
Halliburton .....(575) 746-2757
B. J. Services.....(575) 746-3569

Flight For Life -4000 24th St, Lubbock, TX .....(806) 743-9911
Aerocare -Rr 3 Box 49f, Lubbock, TX .....(806) 747-8923
Med Flight Air Amb 2301 Yale Blvd SE #D3, Albuq, NM .....(505) 842-4433

S B Air Med Svc 2505 Clark Carr Loop SE, Albuq, NM .....(505) 842-4949

PECOS DISTRICT
CONDITIONS OF APPROVAL

OPERATOR'S NAME:	**Yates Petroleum Corporation**
LEASE NO.:	**NM-94095**
WELL NAME & NO.:	**Caper BFE Federal #16H**
SURFACE HOLE FOOTAGE:	**330' FSL & 990' FWL**
BOTTOM HOLE FOOTAGE	**330' FNL & 660' FWL**
LOCATION:	**Section 17, T. 21 S., R 32 E., NMPM**
COUNTY:	**Lea County, New Mexico**

I. DRILLING

A. DRILLING OPERATIONS REQUIREMENTS

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

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

☒ **Lea County**
Call the Hobbs Field Station, 414 West Taylor, Hobbs NM 88240,
(575) 393-3612

1. A Hydrogen Sulfide (H2S) Drilling Plan should be activated 500 feet prior to drilling into the **Salado** formation. **As a result, the Hydrogen Sulfide area must meet Onshore Order 6 requirements, which includes equipment and personnel/public protection items. If Hydrogen Sulfide is encountered, please provide measured values and formations to the BLM.**

2. 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. **If the drilling rig is removed without approval – an Incident of Non-Compliance will be written and will be a "Major" violation.**

3. Floor controls are required for 3M or Greater systems. These controls will be on the rig floor, unobstructed, readily accessible to the driller and will be operational at all times during drilling and/or completion activities. Rig floor is defined as the area immediately around the rotary table; the area immediately above the substructure on which the draw works are located, this does not include the dog house or stairway area.

4. **The record of the drilling rate along with the GR/N well log run from TD to surface will be submitted to the BLM office as well as all other logs run on the borehole 30 days from completion. If available, a digital copy of the logs is to be submitted in addition to the paper copies. The Rustler top and top and bottom of Salt are to be recorded on the Completion Report.**

B. CASING

Changes to the approved APD casing and cement program require submitting a sundry and receiving approval prior to work. Failure to obtain approval prior to work will result in an Incident of Non-Compliance being issued.

Centralizers required on surface casing per Onshore Order 2.III.B.1.f.

Wait on cement (WOC) time for a primary cement job will be a minimum 18 hours for a water basin, 24 hours in the potash area, or 500 pounds compressive strength, whichever is greater for all casing strings. Provide compressive strengths including hours to reach required 500 pounds compressive strength prior to cementing each casing string. See individual casing strings for details regarding lead cement slurry requirements.

No pea gravel permitted for remedial or fall back remedial without prior authorization from the BLM engineer.

Possible lost circulation in the Delaware.

1. The **13-3/8** inch surface casing shall be set at **approximately 1050 feet (a minimum of 25 feet into the Rustler Anhydrite and above the salt)** and cemented to the surface.

    a. If cement does not circulate to the surface, the appropriate BLM office shall be notified and a temperature survey utilizing an electronic type temperature survey with surface log readout will be used or a cement bond log shall be run to verify the top of the cement. Temperature survey will be run a minimum of six hours after pumping cement and ideally between 8-10 hours after completing the cement job.

    b. Wait on cement (WOC) time for a primary cement job is to include the lead cement slurry.

    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 compressive strength, whichever is greater.

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

2. The minimum required fill of cement behind the **8-5/8** inch intermediate casing is:

☒ Cement to surface. If cement does not circulate see B.1.a, c-d above. **Wait on cement (WOC) time for a primary cement job is to include the lead cement slurry due to potash.**

Centralizers required on horizontal leg, must be type for horizontal service and minimum of one every other joint.

3. The minimum required fill of cement behind the **5-1/2** inch production casing is:

a. First stage to DV tool, cement shall:

☒ Cement to circulate. If cement does not circulate, contact the appropriate BLM office before proceeding with second stage cement job. Operator should have plans as to how they will achieve circulation on the next stage.

b. Second stage above DV tool, cement shall:

☒ Cement to surface. If cement does not circulate, contact the appropriate BLM office.

4. 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.

5. Whenever a casing string is cemented in the R-111-P potash area, the NMOCD requirements shall be followed.

C. PRESSURE CONTROL

1. All blowout preventer (BOP) and related equipment (BOPE) shall comply with well control requirements as described in Onshore Oil and Gas Order No. 2 and API RP 53 Sec. 17.

2. Minimum working pressure of the blowout preventer (BOP) and related equipment (BOPE) required for drilling below the surface casing shoe shall be **3000 (3M)** psi.

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

    a. Casing cut-off and BOP installation will not be initiated until the cement has had a minimum of 8 hours setup time for a water basin. The casing shall remain stationary and under pressure for at least eight hours after the operator places the cement. In the potash area, the minimum time is 12 hours and the casing shall remain stationary and under pressure during this time period. In addition, for the potash area, no tests are to be initiated prior to 24 hours (R-111-P regulations). Casing shall be under pressure if the operator uses some acceptable means of holding pressure or if the operator employs one or more float valves to hold the cement in place. Testing the BOP/BOPE against a plug can commence after meeting the above conditions plus the BOP installation time.

    b. The tests shall be done by an independent service company utilizing a test plug.

    c. The results of the test shall be reported to the appropriate BLM office.

    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 appropriate BLM office.**

    e. 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. DRILL STEM TEST

If drill stem tests are performed, Onshore Order 2.III.D shall be followed.

DHW 062210