ATS-11-164

OCD Hobbs
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Form 3160-3
(February 2005)

FORM APPROVED
OMB NO. 1004-0137
Expires: March 31,2007

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

5. Lease Serial No.: NM-66927

6. If Indian, Allottee or Tribe Name:

7. If Unit or CA Agreement, Name and No.:

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.: Dean APQ Federal #2H (19731)

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

9. API Well No.: 30-025-40089

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

3b. Phone No. (include area code): 575-748-1471

10. Field and Pool, or Exploratory: Hardin Tank Undesignated Bone Spring (96661)

4. Location of well (Report location clearly and In accordance with any State requirements.*)
At surface: Unit N 330' FSL & 1980' FWL
At proposed prod. zone: Unit C 330' FNL & 1980' FWL

11. Sec., T., R., M., or Blk. And Survey or Area: Section 3-T26S-R34E

14. Distance in miles and direction from the nearest town or post office*: Approximately 25 miles west of Jal, NM

12. County or Parish: Lea

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
	2480.00	E2W2
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
	9630'TVD & 14027' MD	NATIONWIDE BOND #NMB000434
21. Elevations (Show whether DF, KDB, RT, GL, etc.)	22. Aproximate date work will start*	23. Estimated duration
3313 GL	February 1, 2001	60 days

24. Attachments

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
Clifton May	Clifton May	12/17/2010

Title: Land Regulatory Agent

Approved By (Signature)	Name (Printed/ Typed)	Date
/s/ Jesse Juarez		MAR - 8 2011

Title	Office
FIELD MANAGER	CARLSBAD FIELD OFFICE

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to cc operations thereon.

Conditions of approval, if any, are attached.

APPROVAL FOR TWO YEARS

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

APPROVAL SUBJECT TO GENERAL REQUIREMENTS AND SPECIAL STIPULATIONS ATTACHED

* (Instructions on page 2)

Carlsbad Controlled Water Basin

KZ 03/18/11

SEE ATTACHED FOR CONDITIONS OF APPROVAL

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

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Form C-102
Revised July 16, 2010
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
30-025-40088	96661	Hardin Tank ~~Undesignated~~ Bone Spring

Property Code	Property Name	Well Number
39731	DEAN "APQ" FEDERAL	2H

OGRID No.	Operator Name	Elevation
025575	YATES PETROLEUM CORP.	3313'

Surface Location

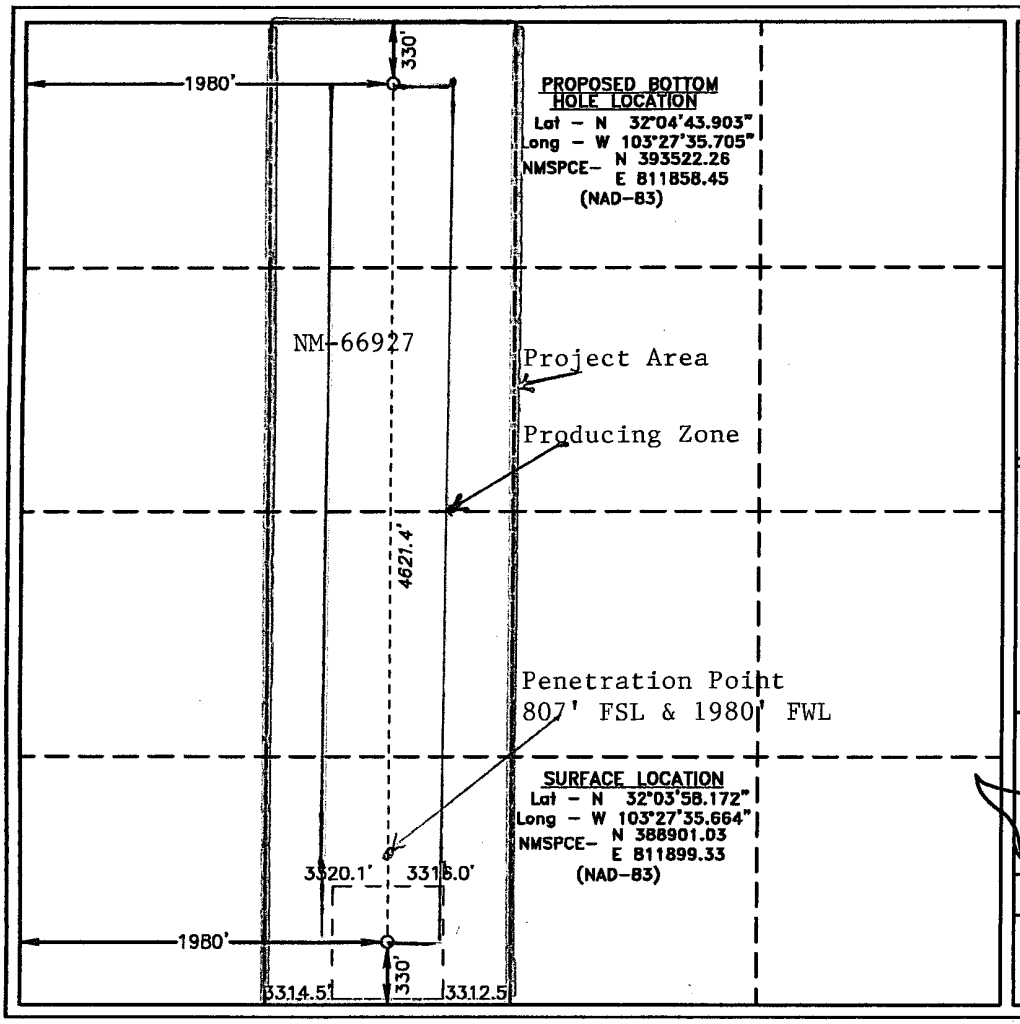
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
N	3	26 S	34 E		330	SOUTH	1980	WEST	LEA

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
C	3	26 S	34 E		330	NORTH	1980	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 12/17/10
Signature Date

Clifton May
Printed Name

cliff@yatespetroleum.com
Email Address

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.

NOVEMBER 24, 2010
Date Surveyed

Signature & Seal of Professional Surveyor

W.O. No. 23714

Certificate No. Gary L. Jones 7977

BASIN SURVEYS 23714

YATES PETROLEUM CORPORATION
Dean APQ Federal #2H
330' FSL and 1980' FWL, Sec. 3-26S-34E, Surface Hole Location
330' FNL & 19800' FWL, Sec. 3-26S-34E, Bottom Hole Location
Lea County, New Mexico

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

				TMD
Rustler	900'	Bone Spring	9480'-Oil	9513'
Castille	2750'	Avalon Shale	9500'-Oil	9541'
Base Salt	5080'	Target Shale	9630'-Oil	9902'
Bell Canyon	5390'-Oil	TVD (Lateral)	9630'	14027'
Cherry Canyon	6370'-Oil			
Brushy Canyon	7790'-Oil			

2. The estimated depths at which anticipated water, oil or gas formations are expected to be encountered:
Water: 170'
Oil or Gas: Oil Zones: 5390', 6370', 7790', 9513', 9541', 9902'..

3. Pressure Control Equipment: 3000 PSI BOPE with a 13 5/8" opening will be installed on the 13 3/8" and a 5000 PSI BOPE with a 13 5/8" opening will be installed on the 9 5/8" casing. 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	0-950'	950'
12 1/4"	9 5/8"	40#	J-55	LT&C	0-100'	100'
12 1/4"	9 5/8"	36#	J-55	LT&C	100'-3200'	3100'
12 1/4"	9 5/8"	40#	J-55	LT&C	3200'-4200'	1000'
12 1/4"	9 5/8"	40#	HCK-55	LT&C	4200'-5400'	1200'
8 1/2"	5.5"	17#	HCP- 110	LT&C	0'-14027' MD	14027'

See COA

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

B. CEMENTING PROGRAM:

Surface Casing: Lead with 525 sacks Class C Lite+2% CaCl2 (Yld 2.00 Wt 12.50) tail in with 200 sacks class C with 2% CaCl2 (Yld 1.34Wt. 14.80). TOC surface.

Intermediate Casing: Lead with 1575 sacks C Lite+2% CaCl2 (Yld 2.00 Wt 12.50). Tail in with 200 sacks Class C+2% CaCl2 (YLD 1.34 WT 14.80 YLD). TOC surface

Production Casing cement is to be done in two stages with dv tool at 8700'.
Stage One: From 8700'-1427'; Cement with1375 sacks Pecos Valley Lite with Calcium Carbonate 22.5 lb/sack, Extender 1.5 lb/sack,

Retarder o.01 lb/sack, Antifoam Agent (Yld 1.83 Wt 13.00). TOC 8700'. DV Tool set approximately 8700.'

Stage Two: From 4900'-8700' lead with 675 sacks Lite Crete with Retarder .03 gal/sack, Anti Foam 0.2%, Dispersant, Extender 39 lb/sack (Yld 2.66 Wt 9.90) tail in with 100 sacks Pecos Valley Lite with Calcium Carbonate 22.5 lb/sack, Extender 1.5 lb/sacl, Retarder 0.01 lb/sack, Retarder 0.6 'lb/sack, Antiform Agent 0.15 lb/sack (Yld 1.41 Wt 13.00) TOC 4900'

Well drilled vertically to 9153'. Well will then be kicked off and drilled at 12 degrees per 100' with a 8 3/4" hole to 9902' MD (9630' TVD). Hole size will then reduced to 8 1/2" and drilled to 14027' MD (9630' VD) where 5 ½" casing will be set and cemented. Penetration point of producing zone will be encountered at 807' FSL & 1980' FWL, 3-26S-34E. Deepest TVD in the lateral will be 9630'.

6. MUD PROGRAM AND AUXILIARY EQUIPMENT:

Interval	Type	Weight	Viscosity	Fluid Loss
0-950' 5350'	Fresh Water Gel	8.60-9.20	35-40	N/C
1500'-5400' MA	Brine Water	10.00-10.20	28	N/C
5400'-9153'	Cut Brine	8.90-9.10	28-29	N/C
9153'-14027'	Cut Brine(Lateral Section)	8.80-9.20	28-32	10-12

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: See COA

Samples: Thirty foot samples to 3000'. Every 10' from 3000' to TD
Logging: Platform Hals; CMR; dipole sonic for stress field
Coring: None anticipated
DST's: None Anticipated
Mudlogging: From surface casing

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

Maximum Anticipated BHP:

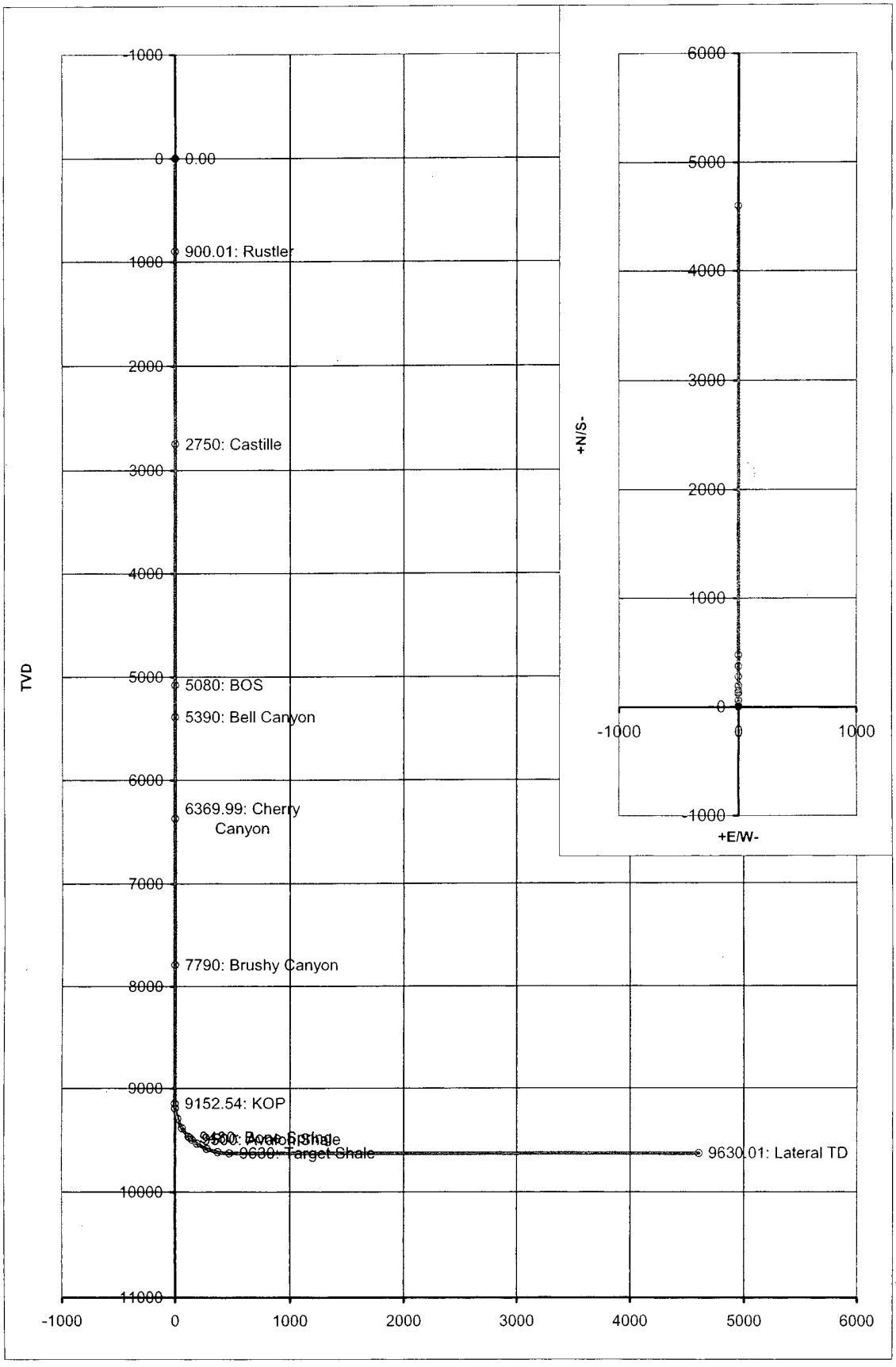
0'-950'	454 PSI
950'-5400'	2864 PSI
5400'-9630'	4607 PSI

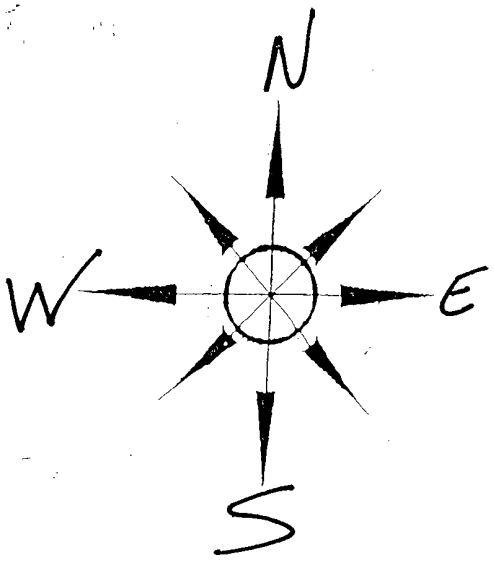
Abnormal Pressures Anticipated: None
Lost Circulation Zones Anticipated: None.
H2S Zones Anticipated: None Anticipated
Maximum Bottom Hole Temperature: 150 F

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.

Co: 0		**Units:** Feet, °, 100ft	**VS Az:** 0.00	**Tgt TVD:** 9630.00
Drillers: 0		**Elevation:**	**Tgt Radius:** 0.00	**Tgt MD:** 0.00
Well Name: Dean APQ Federal 2H		**Northing:**	**Tgt N/S:** 4602.00	**Tgt Displ.:** 0.00
Location: 0		**Easting:**	**Tgt E/W:** 0.00	**Method:** Minimum Curvature

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	900.01	900.01	0.00	0.00	900.01	0.00	0.00	0.00	0.00	0.00	0.00	Rustler
2	2750.00	1850.00	0.00	0.00	2750.00	0.00	0.00	0.00	0.00	0.00	0.00	Castille
3	5080.00	2329.99	0.00	0.00	5080.00	0.00	0.00	0.00	0.00	0.00	0.00	BOS
4	5390.00	310.00	0.00	0.00	5390.00	0.00	0.00	0.00	0.00	0.00	0.00	Bell Canyon
5	6369.99	979.99	0.00	0.00	6369.99	0.01	0.01	0.00	0.00	0.00	0.00	Cherry Canyon
6	7790.00	1420.01	0.00	0.00	7790.00	0.01	0.01	0.00	0.00	0.00	0.00	Brushy Canyon
7	9152.54	1362.54	0.00	0.00	9152.54	0.01	0.01	0.00	0.00	0.00	0.00	KOP
8	9200.00	47.46	5.70	0.00	9199.92	2.37	2.37	0.00	12.00	0.00	12.00	
9	9300.00	100.00	17.70	0.00	9297.67	22.60	22.60	0.00	12.00	0.00	12.00	
10	9400.00	100.00	29.70	0.00	9389.07	62.71	62.71	0.00	12.00	0.00	12.00	
11	9500.00	100.00	41.70	0.00	9470.13	120.95	120.95	0.00	12.00	0.00	12.00	
12	9513.38	13.38	43.30	0.00	9480.00	130.00	130.00	0.00	12.00	0.00	12.00	Bone Spring
13	9541.67	28.29	46.70	0.00	9500.00	150.00	150.00	0.00	12.00	0.00	12.00	Avalon Shale
14	9600.00	58.33	53.70	0.00	9537.32	194.78	194.78	0.00	12.00	0.00	12.00	
15	9700.00	100.00	65.70	0.00	9587.69	280.95	280.95	0.00	12.00	0.00	12.00	
16	9800.00	100.00	77.70	0.00	9619.04	375.72	375.72	0.00	12.00	0.00	12.00	
17	9902.53	102.53	90.00	0.00	9630.00	477.47	477.47	0.00	12.00	0.00	12.00	Target Shale
18	14027.07	4124.54	90.00	0.00	9630.01	4602.01	4602.01	0.00	0.00	0.00	0.00	Lateral TD

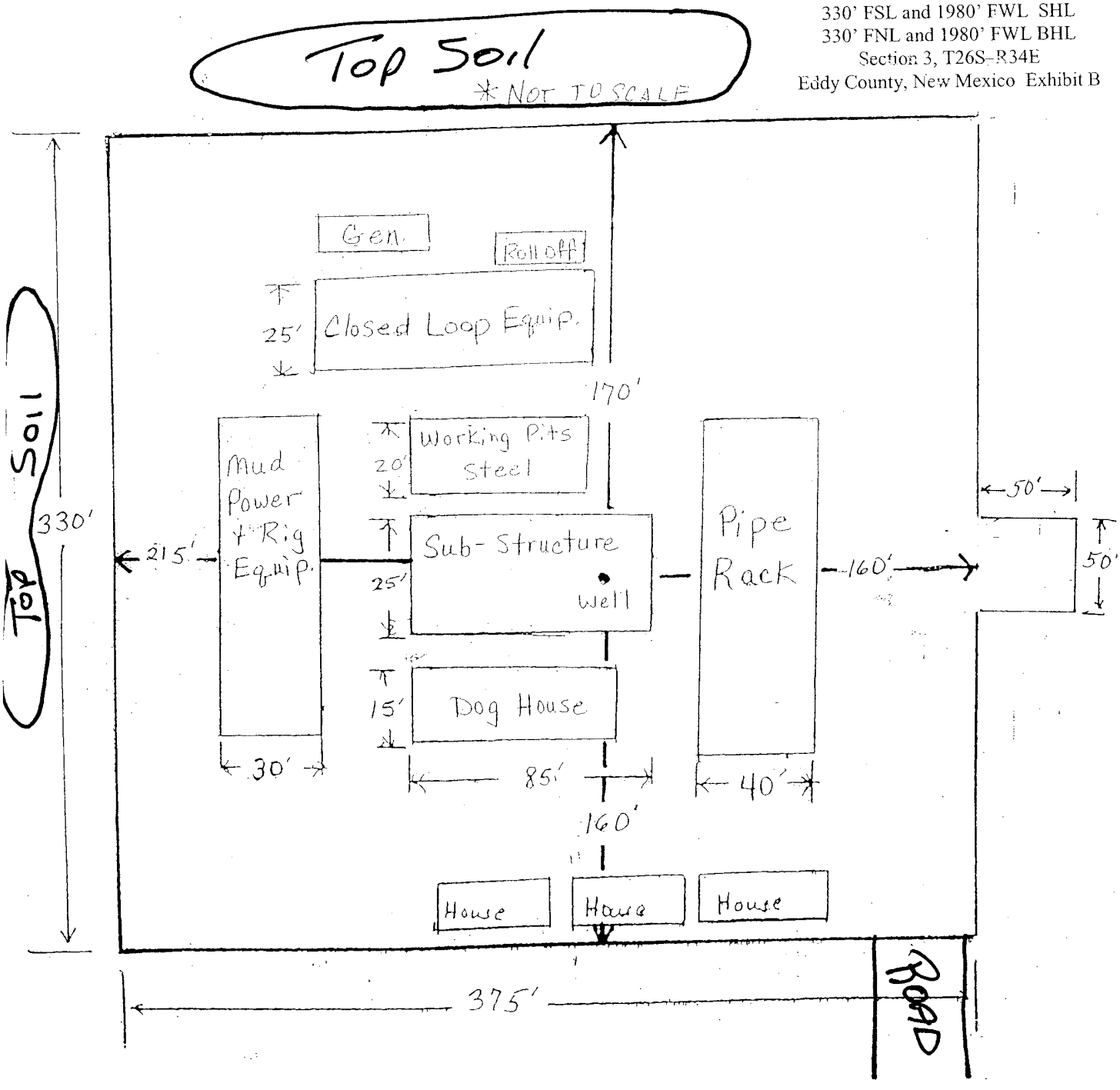

TVD
-1000
0
1000
2000
3000
4000
5000
6000
7000
8000
9000
10000
11000
0.00
900.01: Rustler
2750: Castille
5080: BOS
5390: Bell Canyon
6369.99: Cherry Canyon
7790: Brushy Canyon
9152.54: KOP
9630.01: Lateral TD
+N/S-
+E/W-
6000
5000
4000
3000
2000
1000
0
-1000
1000



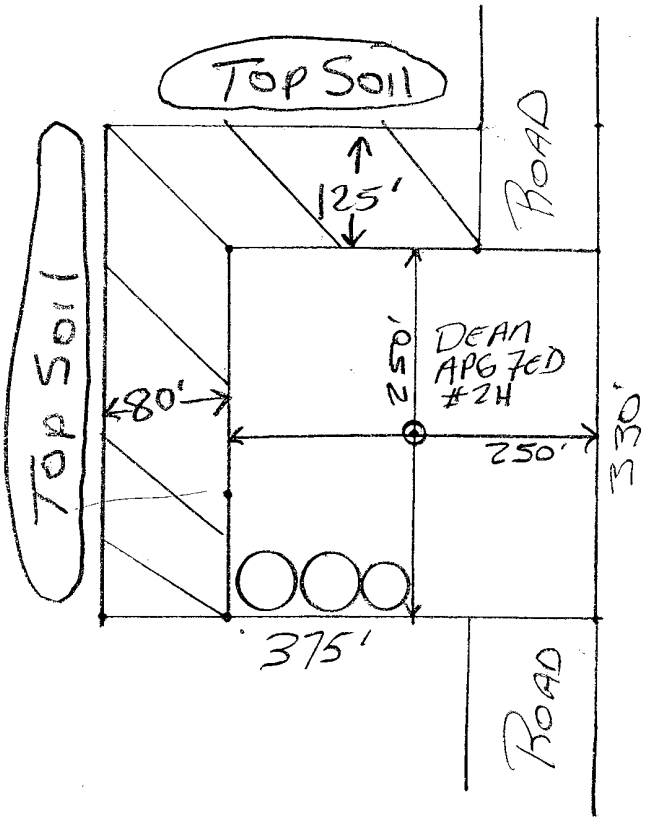
Yates Petroleum Corporation
Location Layout for Permian Basin

Closed Loop Design Plan

YATES PETROLEUM CORPORATION
Dean APQ Federal #2H
330' FSL and 1980' FWL SHL
330' FNL and 1980' FWL BHL
Section 3, T26S–R34E
Eddy County, New Mexico Exhibit B



YATES PETROLEUM CORPORATION
Dean APQ Federal #2H
Plan for Surface Interim Reclamation
Exhibit F



Not To Scale
This Plat may be different after Final Reclamation

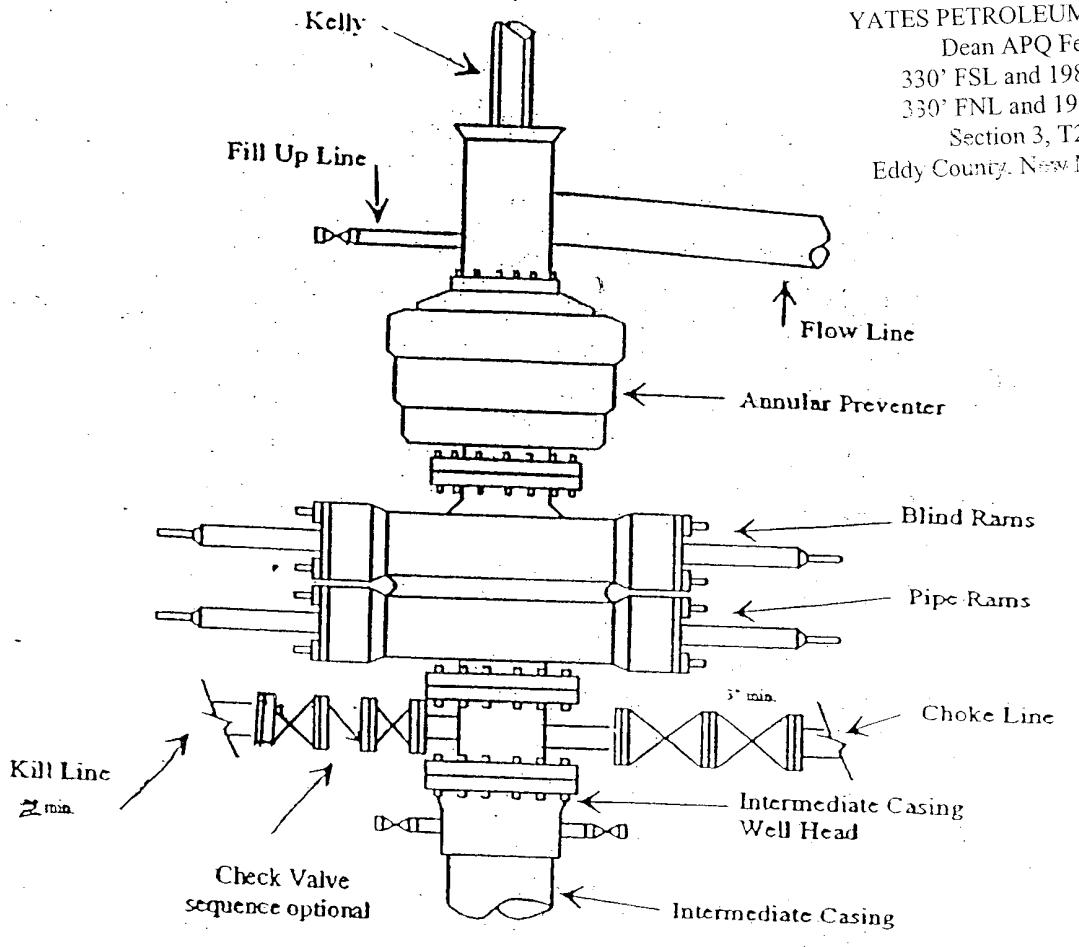
Possible Reclaimed Area

Yates Petroleum Corporation

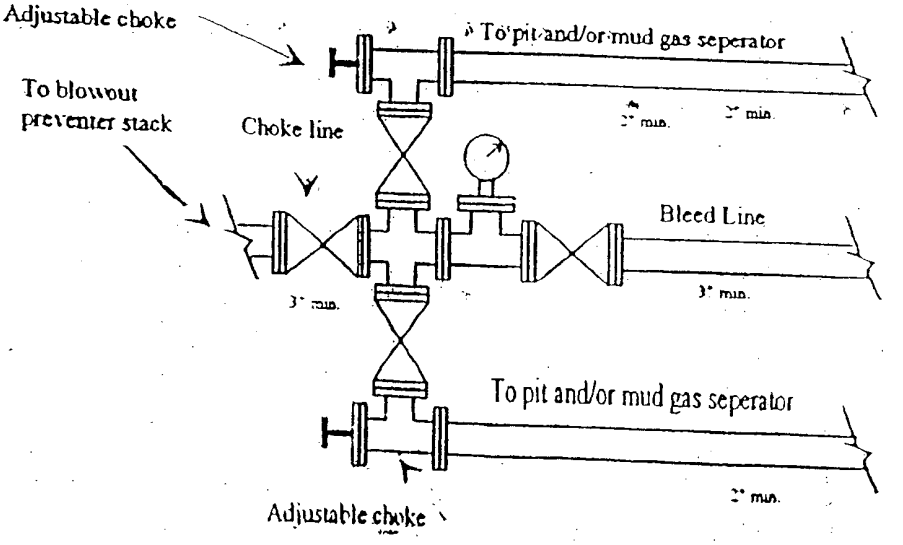
BOP-3

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

YATES PETROLEUM CORPORATION
Dean APQ Federal #2H
330' FSL and 1980' FWL SHL
330' FNL and 1980' FWL BHL
Section 3, T26S–R34E
Eddy County, New Mexico Exhibit C

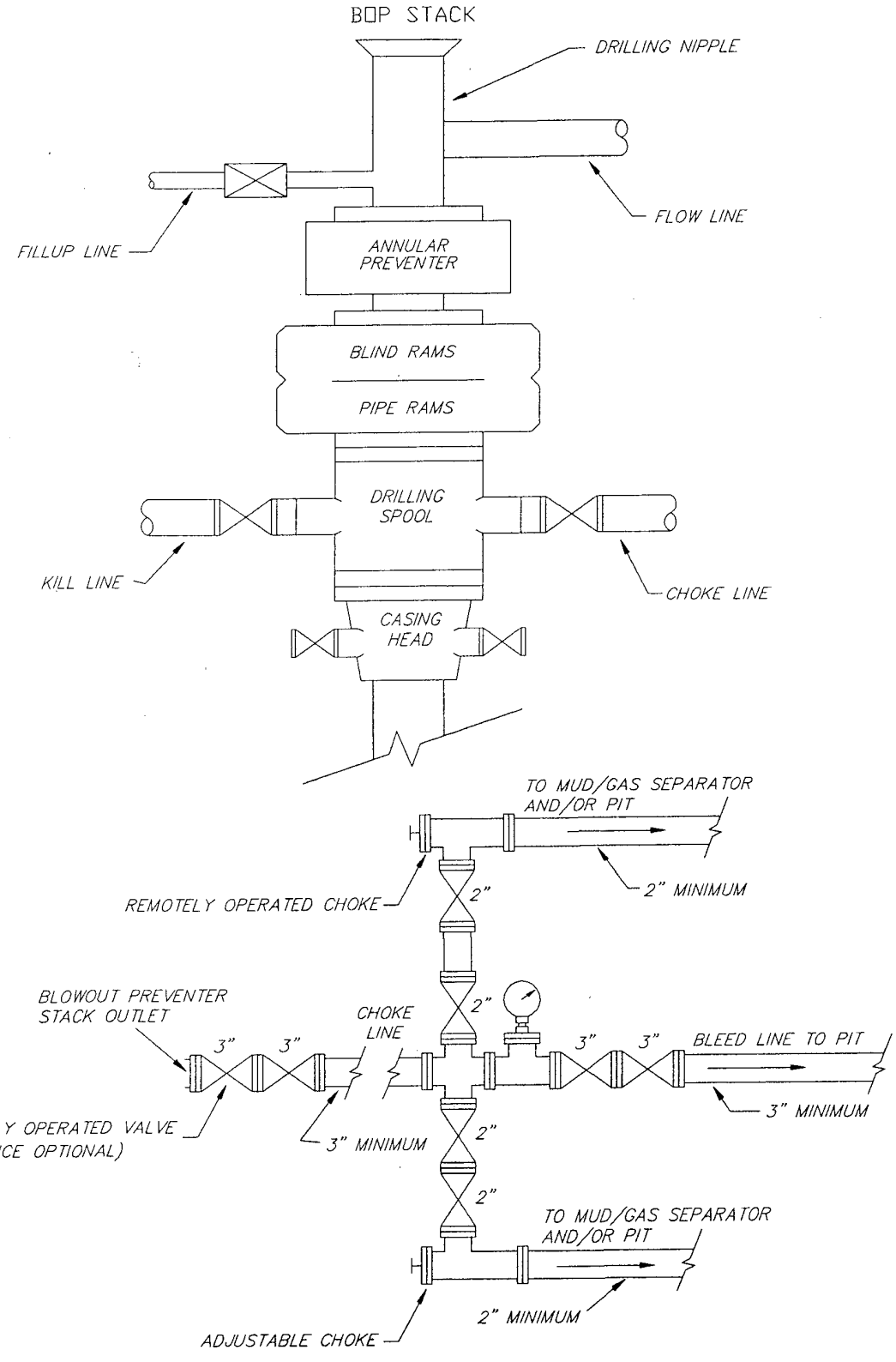


Typical 3,000 psi choke manifold assembly with at least these minimun features



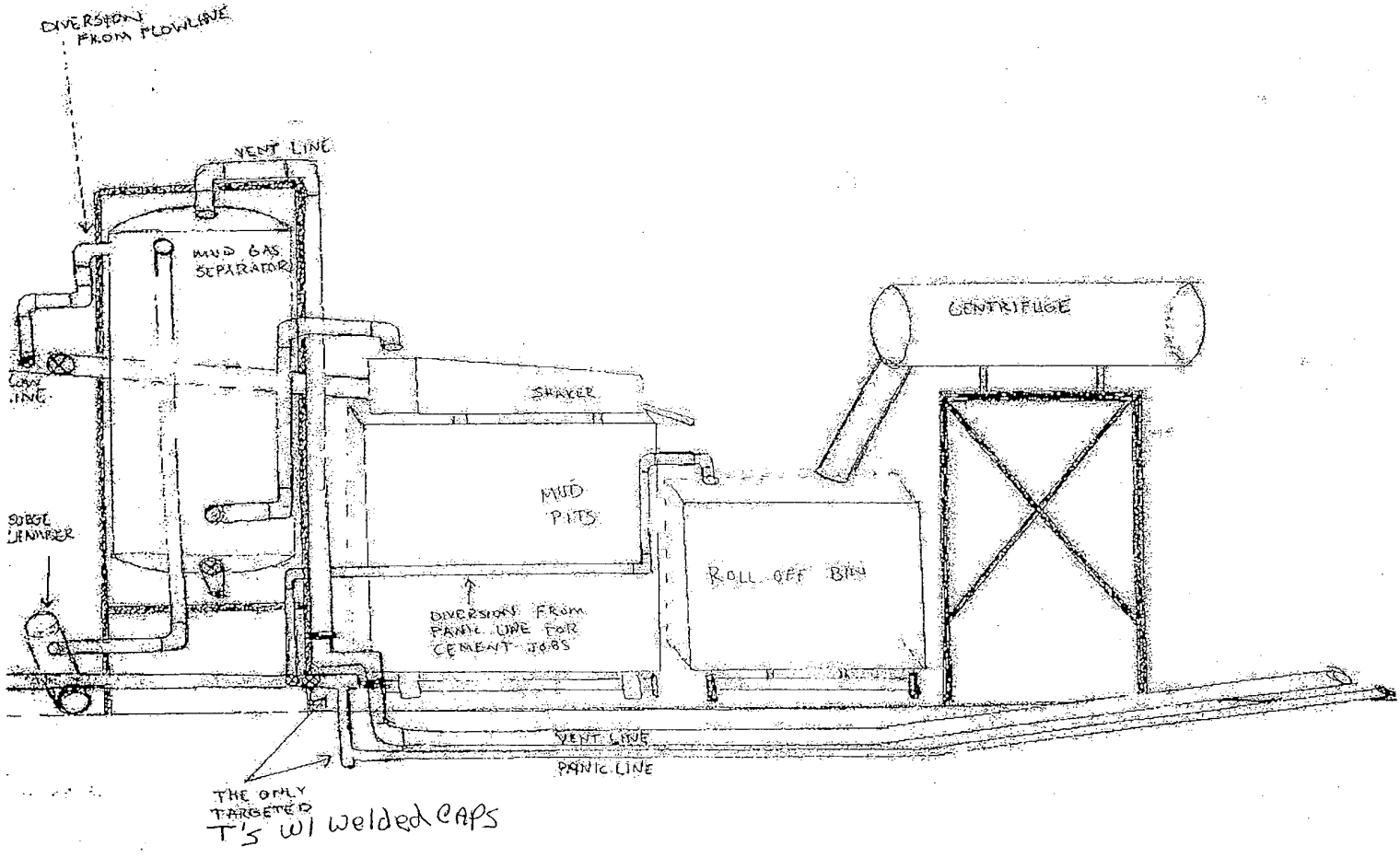
YATES PETROLEUM CORPORATION

TYPICAL 5,000 p.s.i.
BLOWOUT PREVENTER & CHOKE MANIFOLD SCHEMATIC



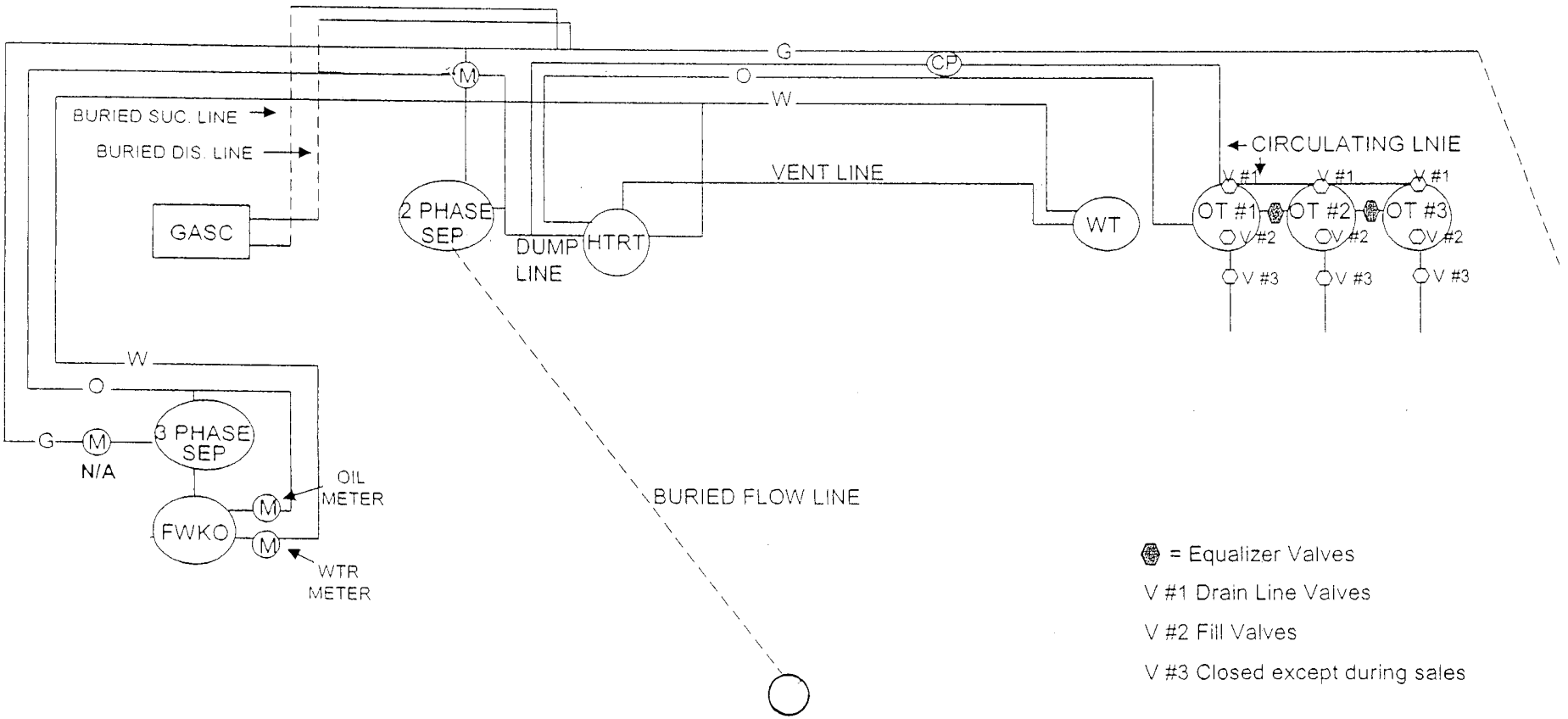
YATES PETROLEUM CORPORATION
Piping from Choke Manifold
to the Closed-Loop Drilling Mud System

YATES PETROLEUM CORPORATION
Dean APQ Federal #2H
330' FSL and 1980' FWL SHL
330' FNL and 1980' FWL BHL
Section 3, T26S–R34E
Eddy County, New Mexico Exhibit E



YATES PETROLEUM CORPORATION
105 South 4th Street * Artesia, NM 88210
(575)-748-1471

-Danny Matthews
June, 2010



This diagram is subject to the Yates Petroleum Corporation August 1983 Security Plan
which is on file at 105 South 4th Street, Artesia, NM