

5/13/08 DATE IN	SUSPENSE	W Jones ENGINEER	5/14/08 LOGGED IN	SWD TYPE 1129	PKUR0813534066 APP NO.
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ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
- Engineering Bureau -
1220 South St. Francis Drive, Santa Fe, NM 87505



ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

[NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]
[DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
[PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
[WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
[SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
[EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

[1] **TYPE OF APPLICATION - Check Those Which Apply for [A]**

[A] Location - Spacing Unit - Simultaneous Dedication
☐ NSL ☐ NSP ☐ SD

Check One Only for [B] or [C]

[B] Commingling - Storage - Measurement
☐ DHC ☐ CTB ☐ PLC ☐ PC ☐ OLS ☐ OLM

[C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
☐ WFX ☐ PMX ☒ SWD ☐ IPI ☐ EOR ☐ PPR

[D] Other: Specify _____

[2] **NOTIFICATION REQUIRED TO: - Check Those Which Apply, or ☐ Does Not Apply**

[A] ☐ Working, Royalty or Overriding Royalty Interest Owners

[B] ☒ X Offset Operators, Leaseholders or Surface Owner

[C] ☒ X Application is One Which Requires Published Legal Notice

[D] ☐ Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office

[E] ☐ For all of the above, Proof of Notification or Publication is Attached, and/or,

[F] ☐ Waivers are Attached

[3] **SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.**

[4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

Margrethe Hotter

Print or Type Name

Signature

Area Engineer

Title

4/8/08

Date

mholler@ypcnm.com
e-mail Address

RECEIVED
2008 MAY 13 PM 2 42

MARTIN YATES, III
1912-1985

FRANK W. YATES
1936-1986



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

S.P. YATES
CHAIRMAN EMERITUS

JOHN A. YATES
CHAIRMAN OF THE BOARD

FRANK YATES, JR.
PRESIDENT

PEYTON YATES
DIRECTOR

JOHN A. YATES, JR.
DIRECTOR

March 31, 2008

Will Jones
State of New Mexico
OIL CONSERVATION DIVISION
1220 South Saint Francis Drive
Santa Fe, NM 87505

RECEIVED
2008 MAY 13 PM 2 42

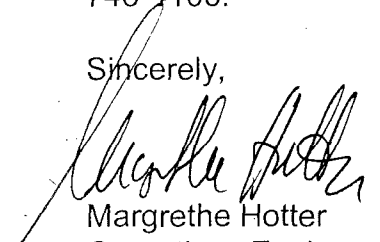
Re: Loving SWD #1
Loving SWD #2

Gentlemen:

Enclosed please find a copy of form C-108 (Application for Authority to Inject) on Yates Petroleum Corporation Loving SWD #1 located in Unit G, Section 16-T23S-R28E and Loving SWD #2 located in Unit J, Section 16-T23S-28E, Eddy County, New Mexico.

Should you have any questions, please feel free to contact me at (575) 748-4165.

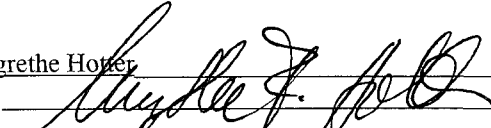
Sincerely,



Margrethe Hotter
Operations Engineer

Enclosures

APPLICATION FOR AUTHORIZATION TO INJECT

- I. PURPOSE: Secondary Recovery Pressure Maintenance X Disposal Storage
Application qualifies for administrative approval? Yes No
- II. OPERATOR: Yates Petroleum Corporation
ADDRESS: 105 South Fourth Street
CONTACT PARTY: Margrethe Hotter PHONE: (575) 748-4164
- III. WELL DATA: Complete the data required on the reverse side of this form for each well proposed for injection.
Additional sheets may be attached if necessary.
- IV. Is this an expansion of an existing project? Yes X No
If yes, give the Division order number authorizing the project: _____
- V. Attach a map that identifies all wells and leases within two miles of any proposed injection well with a one-half mile radius circle drawn around each proposed injection well. This circle identifies the well's area of review.
- VI. Attach a tabulation of data on all wells of public record within the area of review which penetrate the proposed injection zone. Such data shall include a description of each well's type, construction, date drilled, location, depth, record of completion, and a schematic of any plugged well illustrating all plugging detail.
- VII. Attach data on the proposed operation, including:
1. Proposed average and maximum daily rate and volume of fluids to be injected;
 2. Whether the system is open or closed;
 3. Proposed average and maximum injection pressure;
 4. Sources and an appropriate analysis of injection fluid and compatibility with the receiving formation if other than reinjected produced water; and,
 5. If injection is for disposal purposes into a zone not productive of oil or gas at or within one mile of the proposed well, attach a chemical analysis of the disposal zone formation water (may be measured or inferred from existing literature, studies, nearby wells, etc.).
- *VIII. Attach appropriate geologic data on the injection zone including appropriate lithologic detail, geologic name, thickness, and depth. Give the geologic name, and depth to bottom of all underground sources of drinking water (aquifers containing waters with total dissolved solids concentrations of 10,000 mg/l or less) overlying the proposed injection zone as well as any such sources known to be immediately underlying the injection interval.
- IX. Describe the proposed stimulation program, if any.
- *X. Attach appropriate logging and test data on the well. (If well logs have been filed with the Division, they need not be resubmitted).
- *XI. Attach a chemical analysis of fresh water from two or more fresh water wells (if available and producing) within one mile of any injection or disposal well showing location of wells and dates samples were taken.
- XII. Applicants for disposal wells must make an affirmative statement that they have examined available geologic and engineering data and find no evidence of open faults or any other hydrologic connection between the disposal zone and any underground sources of drinking water.
- XIII. Applicants must complete the "Proof of Notice" section on the reverse side of this form.
- XIV. Certification: I hereby certify that the information submitted with this application is true and correct to the best of my knowledge and belief.
- NAME: Margrethe Hotter TITLE: Operation Engineer
SIGNATURE:  DATE: 3/31/08
E-MAIL ADDRESS: mhotter@ypcnm.com
- * If the information required under Sections VI, VIII, X, and XI above has been previously submitted, it need not be resubmitted. Please show the date and circumstances of the earlier submittal: _____

**C-108 Application for Authorization to Inject
Yates Petroleum Corporation
Loving SWD #1
Unit G, 1550 FNL & 1780 FEL, Sec. 16, T23S, R28E
Eddy County, New Mexico**

- I. The purpose of completing this well is to make a disposal well for produced Delaware Sand water into the Delaware Sand formation.**

Yates Petroleum Corporation plans to convert this well to a water disposal well into the Delaware Sand.

- II. Operator: Yates Petroleum Corporation
105 South Fourth Street
Artesia, NM 88210
Margrethe Hotter (575) 748-4165**
- III. Well Data: See Attachment A**
- IV. This is not an expansion of an existing project.**
- V. See attached map, Attachment B.**
- VI. There are two producing wells and one plugged and abandoned well within the area of review that penetrate the proposed injection zone (See Attachment C).**
- VII. 1. Proposed average daily injection volume approximately 1000 BWPD. Maximum daily injection volume approximately 5000 BWPD.**
- 2. This will be a closed system.**
- 3. Proposed average injection pressure –unknown.
Proposed maximum injection pressure – 580 psi.**
- 4. Sources of injected water would be produced water from the Delaware Sand. (Attachment D)**
- VIII. 1. The proposed injection interval is the portion of the Delaware Sand formation consisting of porous Sandstone from estimated depths of 2,900'-3,850'.**

**Application for Authorization to Inject
Loving SWD #1
-2-**

- 2. Possible Fresh water zones overlie the proposed injection formations at depths to approximately 400'. There are no fresh water zones underlying the formation.**
- IX. The proposed disposal interval may be acidized with 7-1/2% HCL acid, or proppant fractured.**
- X. Logs were filed at your office when the well was drilled.**
- XI. There is one fresh water wells within a one-mile radius of the subject location (see water sample analysis in Attachment D).**
- XII. Yates Petroleum Corporation has examined geologic and engineering data and has found that there is no evidence of faulting in the proposed interval. (Attachment G)**
- XIII. Proof of notice.**
 - A. Certified letters sent to the surface owner and offset operators attached (Attachment E)**
 - B. Copy of legal advertisement attached. (Attachment F)**
- XIV. Certification is signed.**

**Yates Petroleum Corporation
Loving SWD #1
G-16-T23S-R28E
Eddy County, New Mexico**

Attachment A

III. Well Data

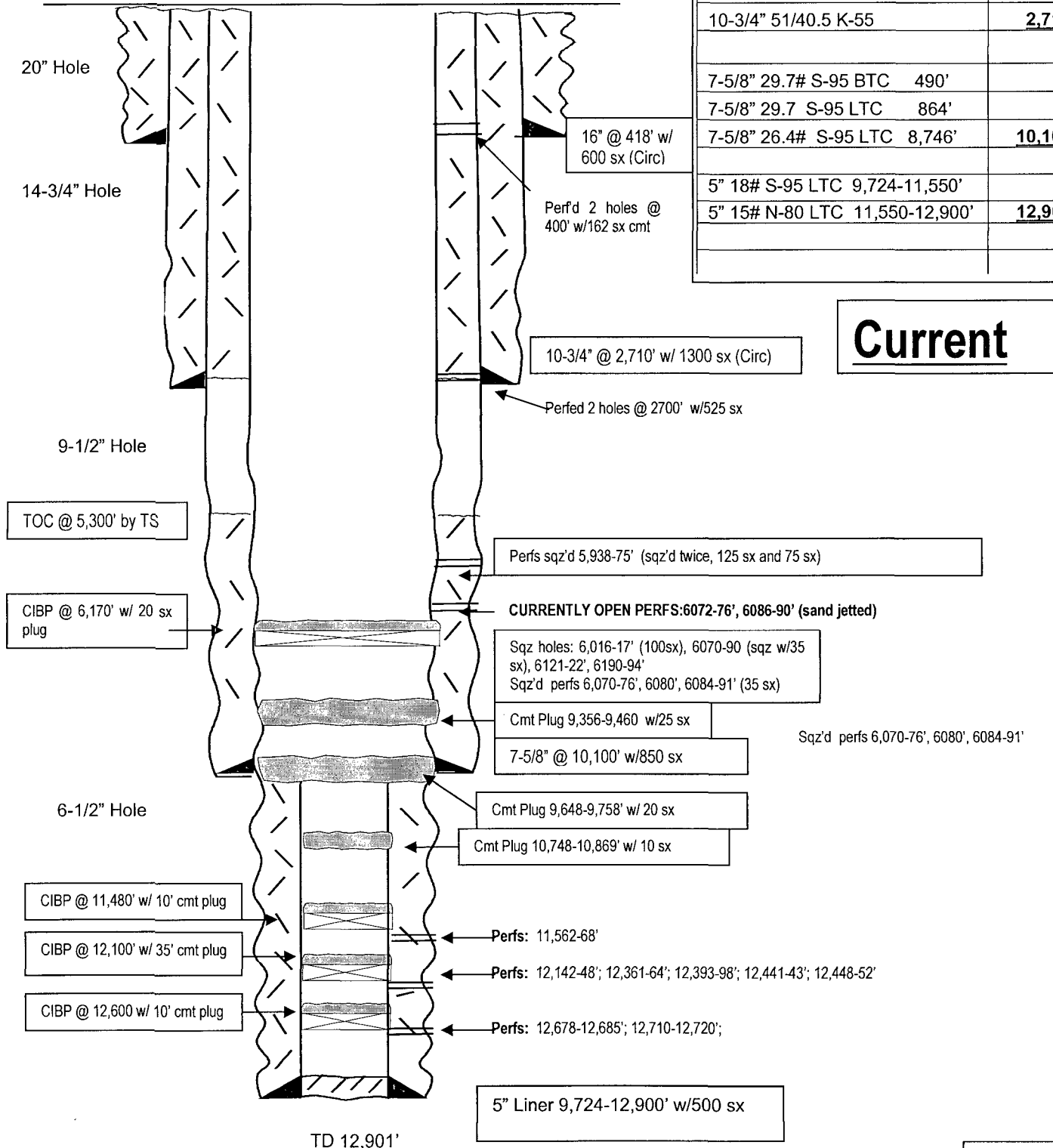
- A. 1. Lease Name/Location
Loving SWD #1
(prev. Loving AIB St #1)
G-16-T23S-R28E
1550' FNL & 1780' FEL
2. Casing Strings:
- a. Present well condition
16" 65# H-40 @ 418' w 600sx (circ)
10 3/4", 51# & 40.5# K-55 @ 2,710' w/1300 sx (circ)
7 5/8", 29.7# & 26.4# S-95 @ 10,00' w/850 sx. TOC @ 5,300' and
cement from 2,700' to surface.
5" 18# S-95 & 15# N-80 @ 12,900' w/500 sx (circ)
- b. Present Status:
Non-commercial completion in Delaware at 6,072'-6,090'
CIBP @ 6,170' w/20 sx cement plug on top
Cmt plug: 9,356'-9,460' w/25 sx
Cmt plug: 9,648'-9,758' w/25 sx
Cmt plug: 10,748'-10,869' w/10 sx
CIBP @ 11,480' w/10' cmt
CIBP @ 12,100' w/35' cmt
CIBP @ 12,600' w/10' cmt
3. Proposed well condition:
Casing same as above. Will put cement behind 5 1/2" casing in the interval
2,700'-5,300' that currently have no cement behind pipe.
Set a CIBP @ 5,888' w/ 35' cmt, above current and squeezed Brushy
Canyon perforations.
3 1/2" 9.3 J55 or 2-7/8" 6.5 J55 plastic-coated injection tubing @ 2,800'
4. Propose to use Guiberson or Baker plastic-coated or nickel-plated packer
set at 2,800'.
- B. 1. Injection Formation: Delaware Sands (Bell Canyon & Upper Cherry
Canyon.)
2. Injection Interval will be through perforations from approximately
2,900'-, 3,850' gross interval.

3. Well was originally drilled as a deep Morrow well. The well is currently an uneconomic Brushy Canyon oil well. Well will be a Bell Canyon and Upper Cherry Canyon Sand water disposal well (2,900'-3,850') when work is completed.
4. Perforations: High porosity sands between 2,900'-3,850'.
5. Next higher (shallower) oil or gas zone within 2 miles-None.
Next lower (deeper) oil or gas zone within 2 miles- Brushy Canyon

WELL NAME: Loving SWD #1 **FIELD:** Loving Delaware
LOCATION: 1550' FNL & 1780' FEL Sec 16-23S-28E Eddy County, NM
GL: 3,024' **ZERO:** 18 **KB:** _____
SPUD DATE: 8/24/90 **COMPLETION DATE:** 12/14/90
COMMENTS: API No.: 30-015-22889

CASING PROGRAM

16" 65# H40 STC	<u>418'</u>
10-3/4" 51/40.5 K-55	<u>2,710'</u>
7-5/8" 29.7# S-95 BTC 490'	
7-5/8" 29.7 S-95 LTC 864'	
7-5/8" 26.4# S-95 LTC 8,746'	<u>10,100'</u>
5" 18# S-95 LTC 9,724-11,550'	
5" 15# N-80 LTC 11,550-12,900'	<u>12,900'</u>

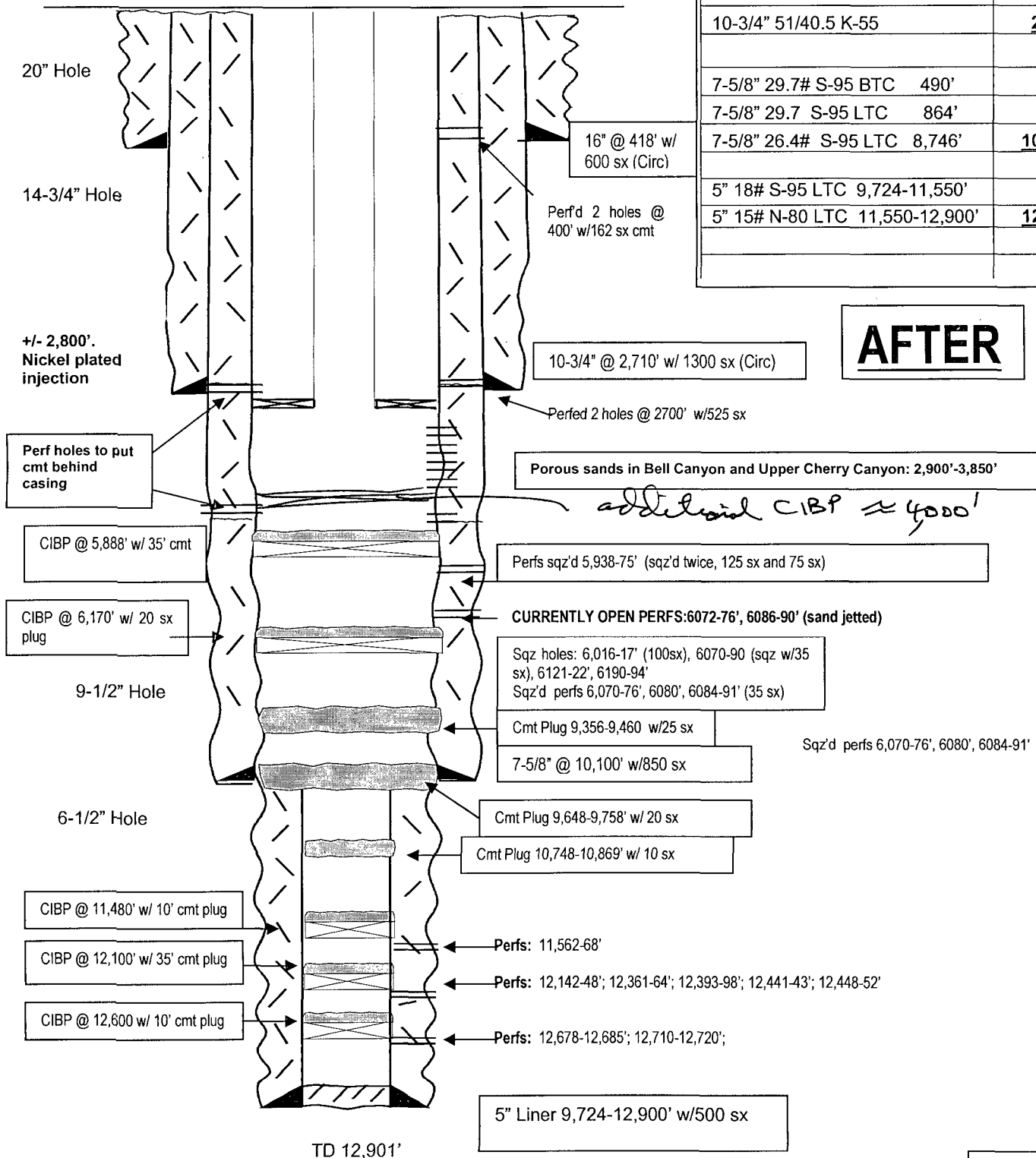


Not to Scale
 3/20/08
 DC/Hotter

WELL NAME: Loving SWD #1 FIELD: Loving Delaware
 LOCATION: 1550' FNL & 1780' FEL Sec 16-23S-28E Eddy County, NM
 GL: 3,024' ZERO: 18 KB:
 SPUD DATE: 8/24/90 COMPLETION DATE: 12/14/90
 COMMENTS: API No.: 30-015-22889

CASING PROGRAM

16" 65# H40 STC	418'
10-3/4" 51/40.5 K-55	2,710'
7-5/8" 29.7# S-95 BTC 490'	
7-5/8" 29.7 S-95 LTC 864'	
7-5/8" 26.4# S-95 LTC 8,746'	10,100'
5" 18# S-95 LTC 9,724-11,550'	
5" 15# N-80 LTC 11,550-12,900'	12,900'



Not to Scale
 3/20/08
 DC/Hotter

WELL NAME: Nel #3 FIELD: Loving Cherry Canyon

LOCATION: 660' FSL & 890' FEL Sec 9-23S-28E Eddy County

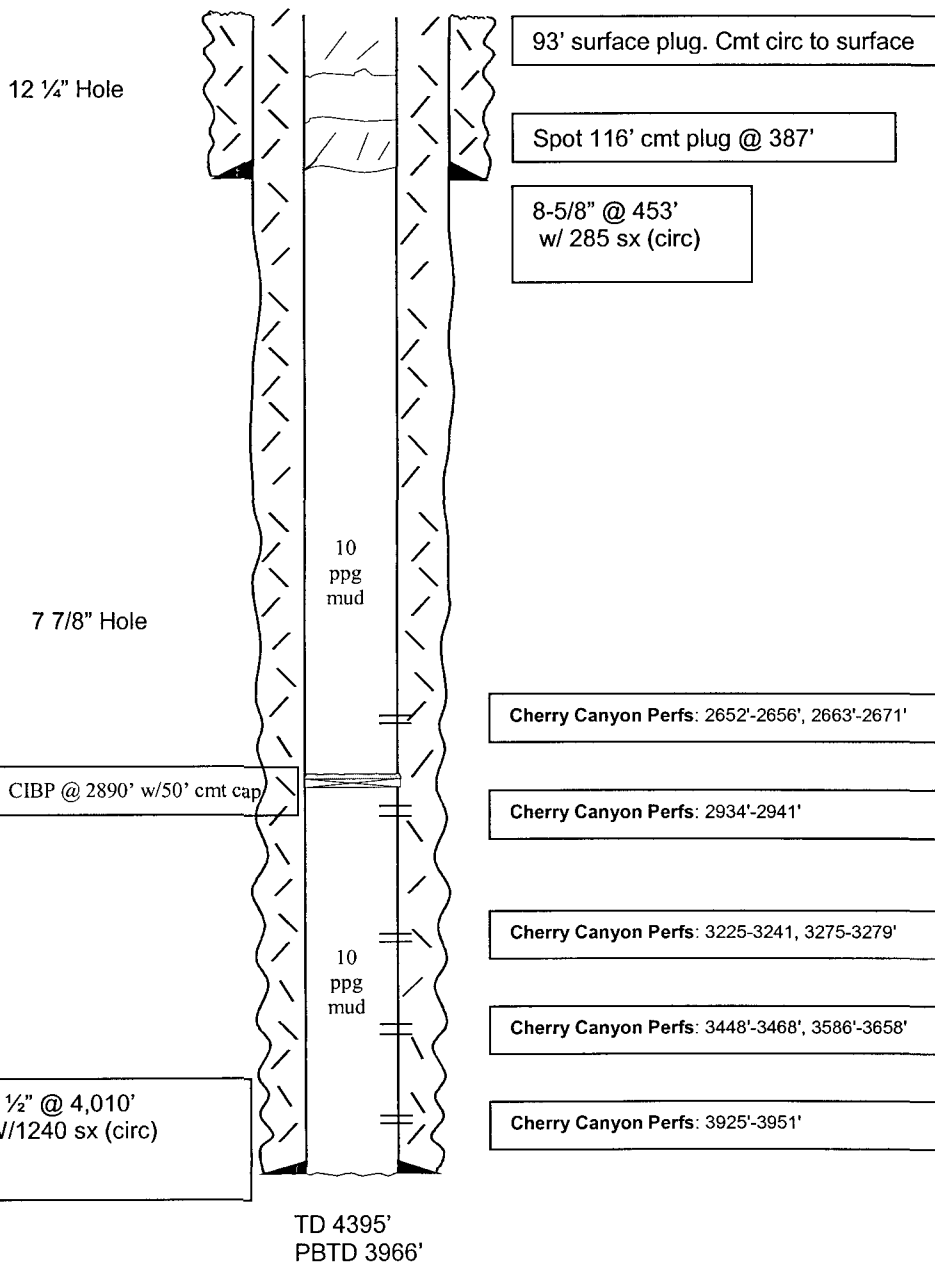
GL: 3045' ZERO: _____ KB: 3,059'

SPUD DATE: 3/31/83 COMPLETION DATE: 7/3/83 (P&A)

COMMENTS: Never produced. Completion date same as P&A date

CASING PROGRAM

8-5/8" 24# K-55 ST&C	453'
5 1/2" 14# J55 ST &C	4,010'



P&A Well Sketch

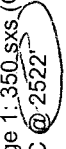
Not to Scale

3/25/08
MMFH

Attachment "C"

Loving SWD #1
Form C-108

Tabulation of data on wells within area of review

Well Name	Operator	Producing			Perforations	Completion Information
		Type	Spud	Total Depth Zone		
Loving AIB St #2 2080' FSL & 2040' FEL Sec 16 23S 28E	Yates Petroleum Corp	Oil	11/4/1990	6225' Brushy Canyon	5788'-5796', 5816'-5826', 5832'-5838', 5898'-5903, 5914'-5920', 6032'-6054'	9 5/8" @ 524' Cmtd w/275 sx (circ) 5 1/2" @ 6,225' Cmtd w/ Stage 1: 350.sxs (Circ), Stage 2: 1500 sx TOC @ 2522' 
Loving AIB St #15 1650' FSL & 2310' FWL Sec 16 23S 28E	Yates Petroleum Corp	Oil	1/10/2008	6300' Brushy Canyon	5747'-5752', 5776'-5794', 5806'-5810', 5912'-5916', 5948'-5958', 6024'-6028', 6044'-6048'	9 5/8" @ 300' Cmtd w/305 sx (circ) 5 1/2" @ 6,300' Cmtd w/ Stage 1: 514 sxs (Circ), Stage 2: 1375 sx (Circ) TOC @ surface ✓
Nel #3 660' FSL & 890' FEL Sec 9 23S 28E	Pogo Producing Comp; P&A	(P&A 7/13/83)	3/31/1983	4395' Cherry Canyon	2652'-2656', 2663'-2671', 2934'-2941', 3225'-3241, 3275'-3279', 3448'-3468', 3586'-3658', 3925'-3951'	8 5/8" @ 453' Cmtd w/ 285 sx (circ) 5 1/2" @ 4010' Cmtd w 1240 sx (circ) TOC @ surface ✓
					CIBP @ 2890'. Cap w 50' cmt 116' cmt plug @ 387' 93' surface plug.	

ATTACHMENT D



MILLER CHEMICALS, INC.

Post Office Box 298
Artesia, N.M. 88211-0298
(505) 746-1919 Artesia Office
(505) 392-2893 Hobbs Office
(505) 746-1918 Fax
mci@plateautel.net

WATER ANALYSIS REPORT

Company : YATES PETROLEUM CORP
Address :
Lease : LOVING "AIB"
Well : #15
Sample Pt. : WELLHEAD

Date : MARCH 17, 2008
Date Sampled : MARCH 17, 2008
Analysis No. :

ANALYSIS		mg/L		* meq/L
-----		----		-----
1. pH	6.0			
2. H2S	0			
3. Specific Gravity	1.070			
4. Total Dissolved Solids		304684.9		
5. Suspended Solids		NR		
6. Dissolved Oxygen		NR		
7. Dissolved CO2		NR		
8. Oil In Water		NR		
9. Phenolphthalein Alkalinity (CaCO3)				
10. Methyl Orange Alkalinity (CaCO3)				
11. Bicarbonate	HCO3	927.0	HCO3	15.2
12. Chloride	Cl	187440.0	Cl	5287.4
13. Sulfate	SO4	500.0	SO4	10.4
14. Calcium	Ca	37200.0	Ca	1856.3
15. Magnesium	Mg	996.3	Mg	82.0
16. Sodium (calculated)	Na	77586.6	Na	3374.8
17. Iron	Fe	35.0		
18. Barium	Ba	NR		
19. Strontium	Sr	NR		
20. Total Hardness (CaCO3)		97000.0		

PROBABLE MINERAL COMPOSITION

*milli equivalents per Liter		Compound	Equiv wt	X meq/L	=	mg/L
-----+	-----+	-----	-----	-----	-----	-----
1856 *Ca <-----	15 *HCO3	Ca (HCO3) 2	81.0	15.2		1231
----- /----->	-----	CaSO4	68.1	10.4		709
82 *Mg ----->	10 *SO4	CaCl2	55.5	1830.7		101584
----- <-----/	-----	Mg (HCO3) 2	73.2			
3375 *Na ----->	5287 *Cl	MgSO4	60.2			
-----+	-----+	MgCl2	47.6	82.0		3902
Saturation Values Dist. Water 20 C		NaHCO3	84.0			
CaCO3	13 mg/L	Na2SO4	71.0			
CaSO4 * 2H2O	2090 mg/L	NaCl	58.4	3374.8		197223
BaSO4	2.4 mg/L					

REMARKS:

Example of water to be disposed
into SWD.

Attachment D

**MILLER CHEMICALS, INC.**

Post Office Box 298
Artesia, N.M. 88211-0298
(505) 746-1919 Artesia Office
(505) 392-2893 Hobbs Office
(505) 746-1918 Fax
mci@plateautel.net

WATER ANALYSIS REPORT

Company : YATES PETROLEUM CORP
Address :
Lease : WATER WELL
Well : EAST OF LOVING BATTE
Sample Pt. :

Date : 3/28/08
Date Sampled : 3/26/08
Analysis No. :

ANALYSIS		mg/L		* meq/L
-----		----		-----
1. pH	6.8			
2. H2S	0			
3. Specific Gravity	1.010			
4. Total Dissolved Solids		7475.0		
5. Suspended Solids		NR		
6. Dissolved Oxygen		NR		
7. Dissolved CO2		NR		
8. Oil In Water		NR		
9. Phenolphthalein Alkalinity (CaCO3)				
10. Methyl Orange Alkalinity (CaCO3)				
11. Bicarbonate	HCO3	427.0	HCO3	7.0
12. Chloride	Cl	3621.0	Cl	102.1
13. Sulfate	SO4	950.0	SO4	19.8
14. Calcium	Ca	960.0	Ca	47.9
15. Magnesium	Mg	389.3	Mg	32.0
16. Sodium (calculated)	Na	1126.5	Na	49.0
17. Iron	Fe	1.3		
18. Barium	Ba	NR		
19. Strontium	Sr	NR		
20. Total Hardness (CaCO3)		4000.0		

PROBABLE MINERAL COMPOSITION

*milli equivalents per Liter	Compound	Equiv wt	X meq/L	= mg/L
+-----+				
48 *Ca <----- *HCO3 7	Ca(HCO3)2	81.0	7.0	567
----- /-----> -----	CaSO4	68.1	19.8	1346
32 *Mg -----> *SO4 20	CaCl2	55.5	21.1	1172
----- <-----/ -----	Mg(HCO3)2	73.2		
49 *Na -----> *Cl 102	MgSO4	60.2		
+-----+	MgCl2	47.6	32.0	1524
Saturation Values Dist. Water 20 C	NaHCO3	84.0		
CaCO3 13 mg/L	Na2SO4	71.0		
CaSO4 * 2H2O 2090 mg/L	NaCl	58.4	49.0	2863
BaSO4 2.4 mg/L				

REMARKS:

Water analysis of sample
from water well.
Attachment D

**MILLER CHEMICALS, INC.**

Post Office Box 298
 Artesia, N.M. 88211-0298
 (505) 746-1919 Artesia Office
 (505) 392-2893 Hobbs Office
 (505) 746-1918 Fax
 mci@plateautel.net

WATER ANALYSIS REPORT

Company	: YATES PETROLEUM CORP	Date	: 3/28/08
Address	:	Date Sampled	: 3/26/08
Lease	: IRRIGATION DITCH	Analysis No.	:
Well	: WEST OF LOVING BATTE		
Sample Pt.	:		

ANALYSIS		mg/L	* meq/L
-----		-----	-----
1. pH	6.8		
2. H2S	0		
3. Specific Gravity	1.010		
4. Total Dissolved Solids		9665.0	
5. Suspended Solids		NR	
6. Dissolved Oxygen		NR	
7. Dissolved CO2		NR	
8. Oil In Water		NR	
9. Phenolphthalein Alkalinity (CaCO3)			
10. Methyl Orange Alkalinity (CaCO3)			
11. Bicarbonate	HCO3	427.0	HCO3 7.0
12. Chloride	Cl	3621.0	Cl 102.1
13. Sulfate	SO4	2250.0	SO4 46.9
14. Calcium	Ca	1200.0	Ca 59.9
15. Magnesium	Mg	49.4	Mg 4.1
16. Sodium (calculated)	Na	2116.4	Na 92.1
17. Iron	Fe	1.3	
18. Barium	Ba	NR	
19. Strontium	Sr	NR	
20. Total Hardness (CaCO3)		3200.0	

PROBABLE MINERAL COMPOSITION

*milli equivalents per Liter	Compound	Equiv wt X meq/L	=	mg/L
+-----+				
60 *Ca <----- *HCO3 7	Ca (HCO3) 2	81.0	7.0	567
----- /-----> -----	CaSO4	68.1	46.9	3189
4 *Mg -----> *SO4 47	CaCl2	55.5	6.0	334
----- <-----/ -----	Mg (HCO3) 2	73.2		
92 *Na -----> *Cl 102	MgSO4	60.2		
+-----+	MgCl2	47.6	4.1	193
Saturation Values Dist. Water 20 C	NaHCO3	84.0		
CaCO3 13 mg/L	Na2SO4	71.0		
CaSO4 * 2H2O 2090 mg/L	NaCl	58.4	92.1	5380
BaSO4 2.4 mg/L				

REMARKS:

Water analysis of sample
 from irrigation ditch
 Attachment D

ATTACHMENT E

7007 2680 0000 5030 91

Postage	\$
Certified Fee	
Return Receipt Fee (Endorsement Required)	
Restricted Delivery Fee (Endorsement Required)	6.4
Total	
Sent Pennzoil Petroleum Co	
Street P.O. Box 2967	
City, Houston, TX 77252-	

THIS SECTION

id 3. Also complete
very is desired.
address on the reverse
SO that we can return the card to you.

■ Attach this card to the back of the mailpiece,
or on the front if space permits.

1. Article Addressed to:

Pennzoil Petroleum Company
P.O. Box 2967
Houston, TX 77252-2967

2. Article Number
(Transfer from service label)

7007 2680 0000 5030 9067

COMPLETE THIS SECTION ON DELIVERY

A. Signature
x R. Henley ☐ Agent ☐ Addressee

B. Received by (Printed Name) MAY 2 - 2005 Date of Delivery

D. Is delivery address different from item 1? ☐ Yes
If YES, enter delivery address below: ☐ No

3. Service Type
☐ Certified Mail ☐ Express Mail
☐ Registered ☐ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes

PS Form 3811, February 2004 Domestic Return Receipt 102595-02-M-1540

Pennzoil Petroleum Co.
P.O. Box 2967
Houston, TX 77001

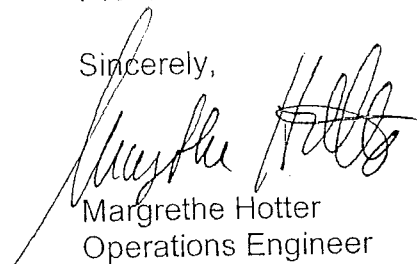
Re: Loving SWD #1
Loving SWD #2

Gentlemen:

Enclosed please find a copy of form C-108 (Application for Authority to Inject) on Yates Petroleum Corporation Loving SWD #1 located in Unit G, Section 16-T23S-R28E and Loving SWD #2 located in Unit J, Section 16-T23S-28E, Eddy County, New Mexico.

Should you have any questions, please feel free to contact me at (575) 748-4165.

Sincerely,


Margrethe Hotter
Operations Engineer

Enclosures

MARTIN

191

FRANK

192

7007 2680 0000 5030 9074

U.S. Postal Service
CERTIFIED MAIL
 (Domestic Mail Only: No In-
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Postage \$
 Certified Fee
 Return Receipt Fee
 (Endorsement Required)
 Restricted Delivery Fee
 (Endorsement Required)

BK Exploration Corporation
 10159 E. 11th Street
 Tulsa, OK 74128

351 2680 0000 AUGUST 2006

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

BK Exploration Corporation
 10159 E. 11th Street, Suite 401
 Tulsa, OK 74128-3028

2. Article Number
 (Transfer from service label)

7007 2680 0000 5030 9074

COMPLETE THIS SECTION ON DELIVERY

A. Signature

X *Bill Buehn* ☐ Agent
☐ Addressee

B. Received by (Printed Name)

C. Date of Delivery

D. Is delivery address different from item 1? ☐ Yes
 If YES, enter delivery address below: ☐ No

3. Service Type

☐ Certified Mail ☐ Express Mail
☐ Registered ☐ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee)

☐ Yes

March 31, 2004 PS Form 3811, February 2004

Domestic Return Receipt

102595-02-M-1540

BK Exploration Corporation
 810 S. Cincinnati, Ste 208
 Tulsa, OK 74119

Re: Loving SWD #1
 Loving SWD #2

Gentlemen:

Enclosed please find a copy of form C-108 (Application for Authority to Inject) on Yates Petroleum Corporation Loving SWD #1 located in Unit G, Section 16-T23S-R28E and Loving SWD #2 located in Unit J, Section 16-T23S-28E, Eddy County, New Mexico.

Should you have any questions, please feel free to contact me at (575) 748-4165.

Sincerely,

Margrethe Hotter
 Margrethe Hotter
 Operations Engineer

Enclosures

7007 2680 0000 5030 8985
MA
FR

CERTIFIED MAIL, RETURN RECEIPT REQUIRED
(Domestic Mail Only, No Insurance)

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OFFICIAL

Postage	\$
Certified Fee	
Return Receipt Fee (Endorsement Required)	
Restricted Delivery Fee (Endorsement Required)	
Total	6.45

Sent: Oxy USA
P.O. Box 4294
Houston, TX 77210

Street or PO City, State, ZIP+4

PS Form 3811, February 2004

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Oxy USA
P.O. Box 4294
Houston, TX 77210

2. Article Number
(Transfer from service label)

7007 2680 0000 5030 8985

PS Form 3811, February 2004

COMPLETE THIS SECTION ON DELIVERY

A. Signature
[Signature] ☐ Agent ☐ Addressee

B. Received by (Printed Name) *JAMES BOYD* Date of Delivery *APR 7 2008*

D. Is delivery address different from item 1? ☐ Yes
If YES, enter delivery address below: ☐ No

3. Service Type
☐ Certified Mail ☐ Express Mail
☐ Registered ☐ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes

Oxy USA
P.O. Box 4294
Houston, TX 77210

Re: Loving SWD #1
Loving SWD #2

Gentlemen:

Enclosed please find a copy of form C-108 (Application for Authority to Inject) on Yates Petroleum Corporation Loving SWD #1 located in Unit G, Section 16-T23S-R28E and Loving SWD #2 located in Unit J, Section 16-T23S-28E, Eddy County, New Mexico.

Should you have any questions, please feel free to contact me at (575) 748-4165.

Sincerely,

[Signature]
Margrethe Hotter
Operations Engineer

Enclosures

MAF 7007 2680 0000 5030 8992
FR

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(Domestic Mail Only; No Insurance)
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Postage \$
Certified Fee
Return Receipt Fee (Endorsement Required)
Restricted Delivery Fee (Endorsement Required)
Total 6.45

Sent to Flare Oil, Inc.
Street or PO 202 Hwy 35 South, P
City, Rockport, TX 78382

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Flare Oil, Inc.
202 Hwy 35 South, PMB 243
Rockport, TX 78382

COMPLETE THIS SECTION ON DELIVERY

A. Signature
X *H.T. Cook*
☐ Agent
☐ Addressee

B. Received by (Printed Name)
H.T. COOK, PRES

C. Date of Delivery
4-9-08

D. Is delivery address different from item 1? ☐ Yes
If YES, enter delivery address below: ☐ No

3. Service Type
☒ Certified Mail ☐ Express Mail
☐ Registered ☐ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes

2. Article Number
(Transfer from service label) **7007 2680 0000 5030 8992**

March 31, 2008 PS Form 3811, February 2004 Domestic Return Receipt 102595-02-M-154

Flare Oil, Inc.
202 Hwy 35 South, PMB 243
Rockport, TX 78382

Re: Loving SWD #1
Loving SWD #2

Gentlemen:

Enclosed please find a copy of form C-108 (Application for Authority to Inject) on Yates Petroleum Corporation Loving SWD #1 located in Unit G, Section 16-T23S-R28E and Loving SWD #2 located in Unit J, Section 16-T23S-28E, Eddy County, New Mexico.

Should you have any questions, please feel free to contact me at (575) 748-4165.

Sincerely,

Margrethe Hotter
Margrethe Hotter
Operations Engineer

Enclosures

7007 2680 0000 5030 8831

CERTIFIED MAIL, RETURN RECEIPT
(Domestic Mail Only, No Insurance)
For delivery information visit our website

Postage \$ _____
 Certified Fee _____
 Return Receipt Fee (Endorsement Required) _____
 Restricted Delivery Fee (Endorsement Required) _____
 To _____
 City _____
 State _____
 Zip _____
 PS Form 3811, August 2004

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:
 Chesapeake Energy Corporation
 6100 N. Western Ave.
 Oklahoma City, OK 73118

2. Article Number
 (Transfer from service label) 7007 2680 0000 5030 8831

COMPLETE THIS SECTION ON DELIVERY

A. Signature
 X M M ☐ Agent ☐ Addressee
 B. Received by (Printed Name) _____ C. Date of Delivery _____
 D. Is delivery address different from item 1? ☐ Yes
 If YES, enter delivery address below: ☐ No
 3. Service Type
☐ Certified Mail ☐ Express Mail
☐ Registered ☐ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.
 4. Restricted Delivery? (Extra Fee) ☐ Yes

PS Form 3811, February 2004 Domestic Return Receipt 102595-02-M-1540

YATES P
AP
TO

HODDS, VANCE

Re: Loving SWD #1
 Loving SWD #2

Gentlemen:

Enclosed please find a copy of form C-108 (Application for Authority to Inject) on Yates Petroleum Corporation Loving SWD #1 located in Unit G, Section 16-T23S-R28E and Loving SWD #2 located in Unit J, Section 16-T23S-28E, Eddy County, New Mexico.

Should you have any questions, please feel free to contact me at (575) 748-4165.

Sincerely,

 Margrethe Hotter
 Operations Engineer

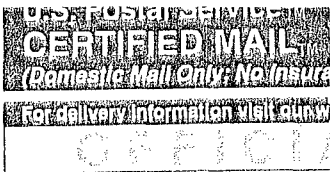
Enclosures

RANDY G. PATTERSON
 SECRETARY

DAVID LANNING
 CHIEF OPERATING OFFICER

DENNIS G. KINSEY
 TREASURER

MAF 7007 2680 0000 5030 8978
FR



SENDER: COMPLETE THIS SECTION

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- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

Postage \$
Certified Fee
Return Receipt Fee (Endorsement Required)
Restricted Delivery Fee (Endorsement Required)

6.45
Dakota Resources, Inc.
4914 N. Midkiff Road
Midland, TX 79705

1. Article Addressed to:

Dakota Resources, Inc.
4914 N. Midkiff Road
Midland, TX 79705

2. Article Number
(Transfer from service label)

7007 2680 0000 5030 8978

March 31, 200 PS Form 3811, February 2004

Domestic Return Receipt

102595-02-M-1540

COMPLETE THIS SECTION ON DELIVERY

A. Signature X <i>[Signature]</i>		<input type="checkbox"/> Agent <input type="checkbox"/> Addressee
B. Received by (Printed Name) <i>Angelina M. [unclear]</i>	C. Date of Delivery <i>4-7-08</i>	
D. Is delivery address different from item 1? <input type="checkbox"/> Yes If YES, enter delivery address below: <input checked="" type="checkbox"/> No		
3. Service Type <input type="checkbox"/> Certified Mail <input type="checkbox"/> Express Mail <input type="checkbox"/> Registered <input type="checkbox"/> Return Receipt for Merchandise <input type="checkbox"/> Insured Mail <input type="checkbox"/> C.O.D.		
4. Restricted Delivery? (Extra Fee) <input type="checkbox"/> Yes		

Dakota Resources, Inc.
4914 N. Midkiff Road
Midland, TX 79705

Re: Loving SWD #1
Loving SWD #2

Gentlemen:

Enclosed please find a copy of form C-108 (Application for Authority to Inject) on Yates Petroleum Corporation Loving SWD #1 located in Unit G, Section 16-T23S-R28E and Loving SWD #2 located in Unit J, Section 16-T23S-28E, Eddy County, New Mexico.

Should you have any questions, please feel free to contact me at (575) 748-4165.

Sincerely,

Margrethe Hotter
Operations Engineer

[Signature]
Enclosures

MARTIN 19
FRANK 19

7007 2680 0000 5030 8961

U.S. POSTAL SERVICE
CERTIFIED MAIL
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Return Receipt Fee (Endorsement Required)
Restricted Delivery Fee (Endorsement Required)
Total F

Sent To
Street, or P.O.
City, S

Chevron Mid-Continent
P.O. Box 1949
Eunice, NM 88231

6.4

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

Chevron Mid-Continent
P.O. Box 1949
Eunice, NM 88231

2. Article Number
(Transfer from service label) 7007 2680 0000 5030 8961

COMPLETE THIS SECTION ON DELIVERY

A. Signature
X *Katzenbach* ☐ Agent ☐ Addressee

B. Received by (Printed Name)
C. Date of Delivery

D. Is delivery address different from item 1? ☐ Yes
If YES, enter delivery address below: ☐ No

3. Service Type
☐ Certified Mail ☐ Express Mail
☐ Registered ☐ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes

APR 4 2004
EUNICE, NM 88231

March 31, 2004 PS Form 3811, February 2004 Domestic Return Receipt 102595-02-M-1540

Chevron Mid-Continent
P.O. Box 1949
Eunice, NM 88231

Re: Loving SWD #1
Loving SWD #2

Gentlemen:

Enclosed please find a copy of form C-108 (Application for Authority to Inject) on Yates Petroleum Corporation Loving SWD #1 located in Unit G, Section 16-T23S-R28E and Loving SWD #2 located in Unit J, Section 16-T23S-28E, Eddy County, New Mexico.

Should you have any questions, please feel free to contact me at (575) 748-4165.

Sincerely,

Margrethe Hotter
Margrethe Hotter
Operations Engineer

Enclosures

7007 2680 0000 5030 9005

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 Restricted Delivery Fee (Endorsement Required)

PS Form 3811, February 2004

SENDER: COMPLETE THIS SECTION

Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
 Print your name and address on the reverse so that we can return the card to you.
 Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:
 NM Interstate Stream Commission
 121 Tijeras NE, Ste 2000
 Albuquerque, NM 87102

2. Article Number
 (Transfer from service label)
 7007 2680 0000 5030 9005

COMPLETE THIS SECTION ON DELIVERY

A. Signature
 X *[Signature]* ☐ Agent ☐ Addressee

B. Received by (Printed Name)
 Charles E. P. Alvarado

C. Date of Delivery
 4-3-08

D. Is delivery address different from item 1? ☐ Yes
 If YES, enter delivery address below: ☐ No

3. Service Type
☐ Certified Mail ☐ Express Mail
☐ Registered ☐ Return Receipt for Merchandise
☐ Insured Mail ☐ C.O.D.

4. Restricted Delivery? (Extra Fee) ☐ Yes

NM Interstate Stream Commission
 121 Tijeras NE, Ste 2000
 Albuquerque, NM 87102

Re: Loving SWD #1
 Loving SWD #2

Gentlemen:

Enclosed please find a copy of form C-108 (Application for Authority to Inject) on Yates Petroleum Corporation Loving SWD #1 located in Unit G, Section 16-T23S-R28E and Loving SWD #2 located in Unit J, Section 16-T23S-28E, Eddy County, New Mexico.

Should you have any questions, please feel free to contact me at (575) 748-4165.

Sincerely,

[Signature]
 Margrethe Hotter
 Operations Engineer

Enclosures

Notification letters:

1. Surface owner:

- a. New Mexico Interstate Stream Commission
121 Tijeras NE, Ste. 2000
Albuquerque, NM 87102

2. Operators:

- a. BK Exploration Corp.
810 S. Cincinnati, Ste. 208
Tulsa, OK 74119
- b. Chesapeake Energy
5014 Carlsbad Highway
Hobbs, NM 88240
- c. Chevron Mid-Continent
P.O. Box 1949
Eunice, NM 88231
- d. Dakota Resources, Inc.
4914 N. Midkiff Road
Midland, TX 79705
- e. Flare Oil Inc.
202 Hwy. 35 South, PMB 243
Rockport, TX 78382
- f. OXY USA
P.O. Box 4294
Houston, TX 77210
- g. Pennzoil Petroleum Co.
P.O. Box 2967
Houston, TX 77001

ATTACHMENT F

Affidavit of Publication

NO. 20196

STATE OF NEW MEXICO

County of Eddy:

Gary D. Scott being duly

sworn, says: That he is the Publisher of The
Artesia Daily Press, a daily newspaper of general
circulation, published in English at Artesia, said county
and county and state, and that the here to attached

Legal Notice

was published in a regular and entire issue of the said
Artesia Daily Press, a daily newspaper duly qualified
for that purpose within the meaning of Chapter 167 of
the 1937 Session Laws of the state of New Mexico for
1 Consecutiv week/days on the same

day as follows:

First Publication April 1st 2008

Second Publication _____

Third Publication _____

Fourth Publication _____

Fifth Publication _____

Subscribed and sworn to before me this

12th Day May 2008

Kimberly J. Combs
Notary Public, Eddy County, New Mexico

My Commission expires April 5, 2011

Copy of Publication:

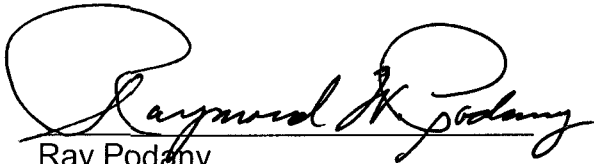
Yates Petroleum Corporation, 105 south Fourth Street, Artesia, NM 88210, has filed form C-108 (Application for Authorization to Inject) with the New Mexico Oil Conservation Division seeking administrative approval for an injection well. The proposed well the Loving SWD #1 located 1550' FNL & 1780' FEL, Unit G, Section 16, Township 23 South, Range 28 East of Eddy County, New Mexico, will be used for saltwater disposal. Produced waters from the Delaware Sand will be re-injected into the Delaware Sand at a depth of 2,900'-3,850' with a maximum pressure of 580 psi and a maximum rate of 5000 BWPD. All interested parties opposing the aforementioned must file objections or requests for a hearing with the Oil Conservation Division, 1220 South Saint Francis Drive, Santa Fe, New Mexico 87505-5472, within 15 days. Additional information can be obtained by contacting Margrethe Hotter at (575) 748-4165.

Published in the Artesia Daily Press, Artesia, N.M. April 1, 2008.
Legal 20131

Attachment G

C-108 Application for Authorization to Inject
Yates Petroleum Corporation
Loving SWD #1
Unit G, Section 16-T23S-R28E
Eddy County New Mexico.

Available engineering and geological data have been examined and no evidence of open faults of hydrologic connection between the disposal zone and any underground sources of drinking water has been found.

A handwritten signature in black ink, appearing to read "Ray Podany", written over a horizontal line.

Ray Podany
Geologist
Yates Petroleum Corporation

3-28-2008

Date

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SANTA FE	/
FILE	/
U.S.G.S.	
LAND OFFICE	
OPERATOR	/

NEW MEXICO OIL CONSERVATION COMMISSION

Form C-103
Supersedes Old
C-102 and C-103
Effective 1-1-65

RECEIVED

5a. Indicate Type of Lease State <input checked="" type="checkbox"/> Fee <input type="checkbox"/>
5. State Oil & Gas Lease No. L-1462
7. Unit Agreement Name
8. Farm or Lease Name Eddy "GR" State
9. Well No. 2
10. Field and Pool, or Wildcat Undes. No. Loving Morrow
12. County Eddy

SUNDARY NOTICES AND REPORTS ON WELLS APR 27 1979
(DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT -" (FORM C-101) FOR SUCH PROPOSALS.)

OIL ☐ WELL GAS ☒ WELL OTHER ☐

O. C. C.
ARTESIA, OFFICE

1. Name of Operator
GULF OIL CORPORATION

2. Address of Operator
P. O. Box 670, Hobbs, NM 88240

3. Location of Well
UNIT LETTER G 1550 FEET FROM THE North LINE AND 1780 FEET FROM THE East LINE, SECTION 16 TOWNSHIP 23S RANGE 28E NMPM.

15. Elevation (Show whether DF, RT, GR, etc.)
3024'

Check Appropriate Box To Indicate Nature of Notice, Report or Other Data
NOTICE OF INTENTION TO: SUBSEQUENT REPORT OF:

PERFORM REMEDIAL WORK <input type="checkbox"/>	PLUG AND ABANDON <input type="checkbox"/>	REMEDIAL WORK <input type="checkbox"/>	ALTERING CASING <input type="checkbox"/>
TEMPORARILY ABANDON <input type="checkbox"/>	CHANGE PLANS <input type="checkbox"/>	COMMENCE DRILLING OPNS. <input type="checkbox"/>	PLUG AND ABANDONMENT <input type="checkbox"/>
PULL OR ALTER CASING <input type="checkbox"/>	OTHER <input type="checkbox"/>	CASING TEST AND CEMENT JOBS <input checked="" type="checkbox"/>	OTHER <input type="checkbox"/>

17. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work) SEE RULE 1103.

Spudded 20" hole @ 8AM, 4-23-79. Reached TD (425') @ 9PM, 4-23-79. Rig up & ran 9 & 1 cut jt 16" 65# H-40 ST&C csg (400') set @ 418'. Cement w/600 sx class "H" w/2% CaCl₂, circulated 60 sx, complete @ 6PM, 4-24-79. WOC 18 hrs. Tested csg to 500# for 30 minutes - held OK.

Began drilling formation @ 6PM, 4-25-79.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNED R. P. King TITLE Drilling Superintendent DATE 4/26/79

APPROVED BY W. A. Gussert TITLE SUPERVISOR, DISTRICT II DATE APR 30 1979

CONDITIONS OF APPROVAL, IF ANY:

N. OF COPIES RECEIVED	3
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SANTA FE	/
FILE	/
U.S.G.S.	/
LAND OFFICE	/
OPERATOR	/

NEW MEXICO OIL CONSERVATION COMMISSION

Form C-103
Supersedes Old
C-102 and C-103
Effective 1-1-65

RECEIVED

MAY 8 1979

SUNDRY NOTICES AND REPORTS ON WELLS

(DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT DEPTH. USE "APPLICATION FOR PERMIT -" (FORM C-101) FOR SUCH PROPOSALS.)

OIL WELL <input type="checkbox"/> GAS WELL <input checked="" type="checkbox"/> OTHER <input type="checkbox"/>		5a. Indicate Type of Lease State <input checked="" type="checkbox"/> Fee <input type="checkbox"/>
Name of Operator GULF OIL CORPORATION ✓		5. State Oil & Gas Lease No. L-1462
Address of Operator P.O. Box 670 Hobbs, NM		7. Unit Agreement Name
Location of Well UNIT LETTER G 1550 FEET FROM THE N LINE AND 1780 FEET FROM THE E LINE, SECTION 16 TOWNSHIP 23S RANGE 28E N.M.P.M.		8. Farm or Lease Name Eddy "GR" State
15. Elevation (Show whether DF, RT, GR, etc.) 3024'		9. Well No. 2
12. County Eddy		10. Field and Pool, or Wildcat Undes No Loving Morrow Gas

Check Appropriate Box To Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO: PERFORM REMEDIAL WORK <input type="checkbox"/> PLUG AND ABANDON <input type="checkbox"/> TEMPORARILY ABANDON <input type="checkbox"/> CHANGE PLANS <input type="checkbox"/> PULL OR ALTER CASING <input type="checkbox"/> OTHER <input type="checkbox"/>		SUBSEQUENT REPORT OF: REMEDIAL WORK <input type="checkbox"/> ALTERING CASING <input type="checkbox"/> COMMENCE DRILLING OPNS. <input type="checkbox"/> PLUG AND ABANDONMENT <input type="checkbox"/> CASING TEST AND CEMENT JOBS <input checked="" type="checkbox"/> OTHER <input type="checkbox"/>	
---	--	--	--

17. Describe Proposed or Completed Operations (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work) SEE RULE 1103.

Drld to TD (2710') of 14-3/4" hole @ 1:45P, 5-1-79. RU & ran 51 & 1 cut jt 10-3/4" (664' 51# & 2028' 40.5#) K-55 ST&C csg (2692') set @ 2710'. Cmt w/1000 sx "C" w/16% gel Gulf mix & 300sx "C" neat. Plug down comp @ 2:45A, 5-2-79. Circ 200 sx cmt. WOC 18 hrs. Tested csg to 2000# f/30 min - OK. Began drlg form @ 12:30 P.M. (5-3-79)

18. I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNED [Signature] TITLE Drilling Superintendent DATE 5-4-79

APPROVED BY [Signature] TITLE SUPERVISOR, DISTRICT II DATE MAY 10 1979

CONDITIONS OF APPROVAL, IF ANY:

Jones, William V., EMNRD

From: Margrethe Hotter [mhotter@YPCNM.COM]
Sent: Wednesday, June 04, 2008 4:58 PM
To: Jones, William V., EMNRD
Subject: RE: SWD Application from Yates Petroleum Corporation: Loving SWD #1 API No. 30-015-22889 Unit G Sec 16 T23S R28E

Hello William,

1) I am terribly sorry about the map. I think that she may have switched the maps in the two applications when she sent it to you when she took off the clips to add the copies of the green received mail receipts that all the notifications. In the copies I got, the maps are correct. The correct one is already in an envelope and in the mail room.

2) Yes, there is a small scale log. The old name was Eddy GR St #2, but I crossed it out and marked Loving AIB St #1 on it with pen. It is also being sent today.

3) These wells were drilled with closed loop system and we used tanks and half tanks during stimulation. The produced water from each well will go to the proposed disposal wells via buried pipelines, so there should not be any waste water transported on the surface. From what I have learned there are no specific requirements for careful handling of transported waste water.

4) Yes, both this Loving #1 and the Loving #2 are uneconomical and have been shut in for a while now. We will drill several more Loving wells, all Brushy Canyon Development wells, but are currently limited due to disposal capacity.

5) We have not seen any mudlog shows in the Bell Canyon on this lease. Generally basin wise, the only zone in the Bell Canyon with any possible production potential in some areas is the Ramsey Sand, and then only with very good mudlog shows. It is marginally economic to produce because it has very high water production and low moveable oil and it is notorious for the high barium sulfate scale and have caused many fishing jobs. We have not seen any shows on this lease. On all the newer wells, #4, #5, #15 #16, we have in addition to the regular logs also run CMR. Which is a log that indicates fluid types and whether the fluids are moveable. The CMR does not show any indication of any moveable oil in the Bell Canyon.

6) As for Barnett shale potential, I am told that they don't think there is potential for that here.

I hope this answers your questions.

Margrethe Hotter

Area Engineer
 Yates Petroleum Corporation

105 S. 4th St
 Artesia, NM 88210
 Tel. 575-748-4165
 Cell. 575-703-0749
 Fax. 575-748-4585

-----Original Message-----

From: Jones, William V., EMNRD [mailto:William.V.Jones@state.nm.us]

Sent: Tuesday, June 03, 2008 4:04 PM

To: Margrethe Hotter

Cc: Ezeanyim, Richard, EMNRD; Price, Wayne, EMNRD; Wilson, Kimberly M, EMNRD

Subject: SWD Application from Yates Petroleum Corporation: Loving SWD #1 API No. 30-015-22889 Unit G Sec 16 T23S R28E

Hello Margrethe:

After reviewing this application - just a few questions:

1) The same AOR map from the Loving SWD #2 was included in this application.

Please send the correct AOR map (with the 1/2 mile circle) for this application Loving SWD #1 and check to see if all notices were sent per Division Rule 701B(2).

2) There was a (CNL) neutron porosity log run on this well - probably in 1979 or when it was re-entered. If you have this log in your files,

6/4/2008

please send a copy to the Hobbs OCD office for scanning, it is not on the OCD web site.

- 3) This well is just west of Loving, NM and it seems the Interstate Stream Commission owns the surface and the SLO owns the minerals. Is there something here that requires careful handling of transported waste waters on the surface?
- 4) The 18 foot interval in the Brushy Canyon seems to still be a small producer - is it uneconomic? There are several YPC permitted Delaware wells in this section that have not been drilled. Are these all intended as Brushy Canyon development wells?
- 5) Yates has had an injection well in the Bell Canyon for years about 1/2 mile to the east. Is there a structure to the Bell Canyon? Does the Bell Canyon have any oil saturation? is it moveable or could be displaced with water? How are you sure the Bell Canyon in this well will be 100% water production?
- 6) This deep well with the big casing was very expensive to drill and seems to include the Barnett formation - any potential in this area?

Application looks good, thank you for answering these questions,

William V. Jones PE
New Mexico Oil Conservation Division
1220 South St. Francis
Santa Fe, NM 87505
505-476-3448

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Injection Permit Checklist 2/8/07

SWD Order Number _____ Dates: Division Approved 1129 District Approved _____

Well Name/Num: LOVING SWD #1 (Loving AIRST #1) Date Spudded: 8/24/90

API Num: (30-) 015-22889 County: EDDY

Footages 1550 FNL/1780 FEL Sec 16 Tsp 23S Rge 28E

Operator Name: Yates Petrol. Corp. Contact Margarette Hottel

Operator Address: 105 S. 4th St. 88210-2118

Current Status of Well: 6072-6090 DEL. Pads Planned Work: _____ Inj. Tubing Size: 3 1/2" @ 2700'

	Hole/Pipe Sizes	Depths	Cement	Top/Method
Surface	20" 16	418	600	CIRC
Intermediate	14 3/4 10 3/4	2710	1300	CIRC
Production	9 1/2 7 5/8	10,100'	850	5500/2700'
Last DV Tool	5" 9 1/4" 10 1/4"	12900	500 SX	CIRC
Open Hole (Liner)				
Plug Back Depth				

Diagrams Included (Y/N): Before Conversion ✓ After Conversion ✓

Checks (Y/N): Well File Reviewed ✓ ELogs in Imaging DLG only

Intervals:	Depths	Formation	Producing (Yes/No)
Salt/Water			
Capitan Reef			
Cliff House Fm	2540	Bell Cong Top	
Formation Above	nothing	UPHOLE WITHIN 2 MILES	
Top Inj Interval	2900 EST	Bell Canyon	
Bottom Inj Interval	3850 EST	UPPER Cherry	
Formation Below			

Send CNL
merion test
1987 PE AED
Just west of
LOVING SWD
580 (3 miles SW of POTASH)
PSI Max. WHIP
NO Open Hole (Y/N)
NO Deviated Hole (Y/N)

Fresh Water: Depths: 0-400' Wells (Y/N) Y2 Analysis Included (Y/N): Y2 Affirmative Statement ✓

Salt Water Analysis: Injection Zone (Y/N/NA) NO Disp Waters (Y/N/NA): Y2 Types: _____

Notice: Newspaper (Y/N) ✓ Surface Owner interservice Mineral Owner(s) _____

Other Affected Parties: Ponzoil/BK Exptl/XY/FLARE/Chrym/DKARA/Chrym

AOR/Repairs: Num Active Wells 2 Repairs? _____ Producing in Injection Interval in AOR _____

AOR Num of P&A Wells 1 Repairs? NO Diagrams Included? Y2 RBDMS Updated (Y/N) _____

Well Table Adequate (Y/N) Y2 AOR STRs: Sec _____ Tsp _____ Rge _____ UIC Form Completed (Y/N) _____

New AOR Table Filename _____ Sec _____ Tsp _____ Rge _____ This Form completed _____

Conditions of Approval: _____ Sec _____ Tsp _____ Rge _____ Data Request Sent _____

will set 3300 to 2700' OK

SWD Test Bell C. OK

well still a small producer WFA

AOR Required Work: Water analysis of B.C.

Barrett Shale

Required Work to this Well: Send CNL LOG

Send AOR MAP make sure notice OK

UNIT 6
OK 10-25975 Rule 40=OK
3/2429=OK
FA=OK

2900
6800
See 16, Surf = 1500
Subsurf = 5100

4/18/91
444
SWD
2892-3494
30-015-22889