

BLM approves federal wells in potash area so we do not have to worry about this.

STATE & FEE LEASES

Post to map and if within the potash area outlined on map or within 1 mile of that area do the following:

- 1) Make certain operator has filed a plat of the area showing the potash lessees for the area where the well is located as well as the 1-mile radius referred to.
- 2) Make certain operator has notified all of the potash lessees by certified mail of the APD. They must send copy of delivery notice to us since 20-day waiting period starts from delivery date.
- 3) Send letter to BLM and SLO advising them of this APD and request they advise if this location is within LMR or buffer zone.

BUFFER ZONE -- shallow well is 1/4 mile of LMR
-- deep well is 1/2 mile of LMR

- 4) If application is within LMR or buffer zone you must DENY it under R-111-P unless, there is a mutual agreement of lessor and lessees of oil & gas and potash interests. Copy of this agreement must be submitted with APD.
- 5) If application is outside LMR or buffer zone and no objection is received within 20 days from date of receipt by potash lessees of certified notice, the APD may be approved.

CHECK LIST FOR PROCESSING APD IN POTASH AREA

OPERATOR: Xates Pet Corp

LEASE & WELL Cranberry BSU State Com # 511

LOCATION P-11-215-33e PROPOSED DEPTH 15690

DATE APD RECEIVED 2/20/14 WAS PLAT OF AREA ATTACHED _____

WERE ALL POTASH LESSEES NOTIFIED BY CERTIFIED MAIL? _____

20-DAY WAITING PERIOD BEGINS _____ ENDS _____

WERE WAIVERS RECEIVED? _____

DATE SLO NOTIFIED 2/20/14 DATE REPLY RECEIVED 2/20/14

DATE BLM NOTIFIED 2/20/14 DATE REPLY RECEIVED 2/21/14

IS LOCATION INSIDE LMR OR BUFFER ZONE? YES _____ NO _____

IF LOCATION INSIDE LMR OR BUFFER ZONE WAS LESSEE/LESSOR AGREEMENT FURNISHED _____

DATE APD APPROVED 2/21/2014 DATE APD DENIED _____

30-025-41670

FEB 24 2011

HOBBS OCD

21 2014

RECEIVED

State of New Mexico

Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

David Martin
Cabinet Secretary-Designate

Brett F. Woods, Ph.D.
Deputy Cabinet Secretary

Jami Bailey
Division Director
Oil Conservation Division



February 20, 2014

BUREAU OF LAND MANAGEMENT
ATT: Jim Rutley
P O Box 1778
Carlsbad, NM 88221

State Land Office
ATT: Stephen Wust
P O Box 1148
Santa Fe, NM 87504

RE: APPLICATION FOR PERMIT TO DRILL IN POTASH AREA

OPERATOR Yates Petroleum Corp

LEASE NAME Cranberry BSU State Com #5H

PROPOSED LOCATION P-11-21s-33e

PROPOSED DEPTH 15690' Bone Spring

Gentlemen:

The application for permit to drill identified above has been filed with this office of the new Mexico Oil Conservation Division. Pursuant to the provisions of Oil Conservation Division Order R-111-P, please advise this office whether the location is within an established Life-or-Mine Reserve are filed with an approved by your office. If not, please advise whether it is within the buffer zone established by the order.

Thank you for your assistance. Please return as soon as possible.

Very truly yours,

OIL CONSERVATION DIVISION

EL Gonzales
OCD District I, Supervisor

Response:

The above reference location is in the LMR 2012 year)-----Yes NO X

The above reference location is within the Buffer Zone -----Yes No X

Signed [Signature] Date 2/21/2014

Printed Signature Jessie Hubbling

Representing BLM - CPO

State of New Mexico
Energy, Minerals and Natural Resources Department

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JAN 20 2014
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OIL CONSERVATION DIVISION

EL Gonzales
OCD District I, Supervisor

Response:

The above reference location is in the LMR (2013 year)-----Yes ☐ NO ☒ 322

The above reference location is within the Buffer Zone-----Yes ☐ No ☒ 322

Signed Terry G. Warnell Date 2-20-14

Printed Signature Terry G. Warnell

Representing SLO