

| | | | | | |
|------------------------|-------------------------|--------------------|---------------------|-----------------|---------------------------------------|
| DATE IN <i>6-21-04</i> | SUSPENSE <i>7-12-04</i> | ENGINEER <i>MS</i> | LOGGED IN <i>MS</i> | TYPE <i>NSL</i> | P.M.E.S.O. APP NO <i>417428176</i> |
|------------------------|-------------------------|--------------------|---------------------|-----------------|---------------------------------------|

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] Offset Operators, Leaseholders or Surface Owner
- [C] 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.

Robert Bullock Robert Bullock Landman 6-18-04
 Print or Type Name Signature Title Date

 e-mail Address

2009 JUN 21 PM 12 44

P.M.E.S

MARTIN YATES, III
1912 - 1985
FRANK W. YATES
1936 - 1986



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210-2118
TELEPHONE (505) 748-1471

S. P. YATES
CHAIRMAN OF THE BOARD
JOHN A. YATES
PRESIDENT
PEYTON YATES
EXECUTIVE VICE PRESIDENT
RANDY G. PATTERSON
SECRETARY
DENNIS G. KINSEY
TREASURER

June 17, 2004

Mr. Michael Stogner
New Mexico Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

CERTIFIED MAIL
Return Receipt Requested

2004 JUN 21 PM 12 44

Dear Mr. Stogner:

Pursuant to Division Rule 104.F.(2), Yates Petroleum Corporation applies for administrative approval of an unorthodox gas well location for the following well in the Mississippian formation (undesigned Wildcat Mississippian Pool), the Morrow formation (undesigned Wildcat Morrow Pool) and the Atoka formation (undesigned Wildcat Atoka Pool):

Well: East Sand Springs Unit #5
Location: 250 feet FNL & 315 feet FWL
Well Unit: W2 of Section 7, Township 11 South, Range 35 East, Lea County, NM

The reason for the location exception is geologic. The Atoka-Morrow gas play is attempting to locate channel sands by utilizing 3-D seismic, log correlation and regional mapping. Although these gas sands can be very productive, the channels are very narrow and limited in aerial extent. The T/Austin structure map shows the targeted sand channel for the proposed East Sand Springs #5 well. The channel is indicated by the blue line, which shows a narrow channel trending up the lease line between sections 7 and 12. Moving the proposed well to a legal location of 660' from the lease line would intersect a small fault. This would greatly increase the risk of missing this channel system and also significantly magnifies the drilling problems. Yates was successful in finding this same channel system in the recently drilled East Sand Springs #4 well, which is located one (1) mile to the southwest. This well found several sands, but they were wet in the Atoka-Morrow, so subsea depth also was instrumental in picking the location. The proposed location for the #5 well is approximately 120' higher than the East Sand Springs #4 well.

Seismic line A-A' crosses the channel system and shows how narrow these channels can be. The well location is shown with the bold red line, the section line with the black line, and the fault with the green line. These channels and faulting are often very subtle features, as can be seen from seismic line A-A'. The channels become more visible after looking at and integrating numerous seismic lines from a 3-D survey.

Page 2
June 17, 2004

The only well on the Austin structure map which has produced or shows potential from the Atoka-Morrow is the recently drilled Yates, Lagarto AMZ State #2. This well has just been drilled and completed in the Morrow. Off the map to the west is the Yates Twain well. This well is also a recent Morrow completion in the northwest corner of Section 12.

Yates Petroleum Corporation believes there is potential for channel sand development in Section 7. This is an expensive, high risk project which is attempting to hit a narrow channel system. The AFE shows an estimated cost of approximately \$1,700,500 to drill and complete. The unorthodox East Sand Springs #5 location is the best place to test the potential in Section 7. No wells have been drilled in Section 7 and this is the best location to protect correlative rights and prevent waste of recoverable oil and gas.

The Yates companies own 100% of the working interest in the three State of New Mexico leases which offset this unorthodox gas well location in the direction of encroachment. There are no overriding royalty owners in any of these leases. Concho Oil & Gas Corp. is the offset operator in the E2 of Section 6 and is listed on Exhibit C and they were notified of this application as shown by Exhibit D

Please call me at (505) 748-4351 if you need further information on this matter.

Thank you.

Very truly yours,

YATES PETROLEUM CORPORATION

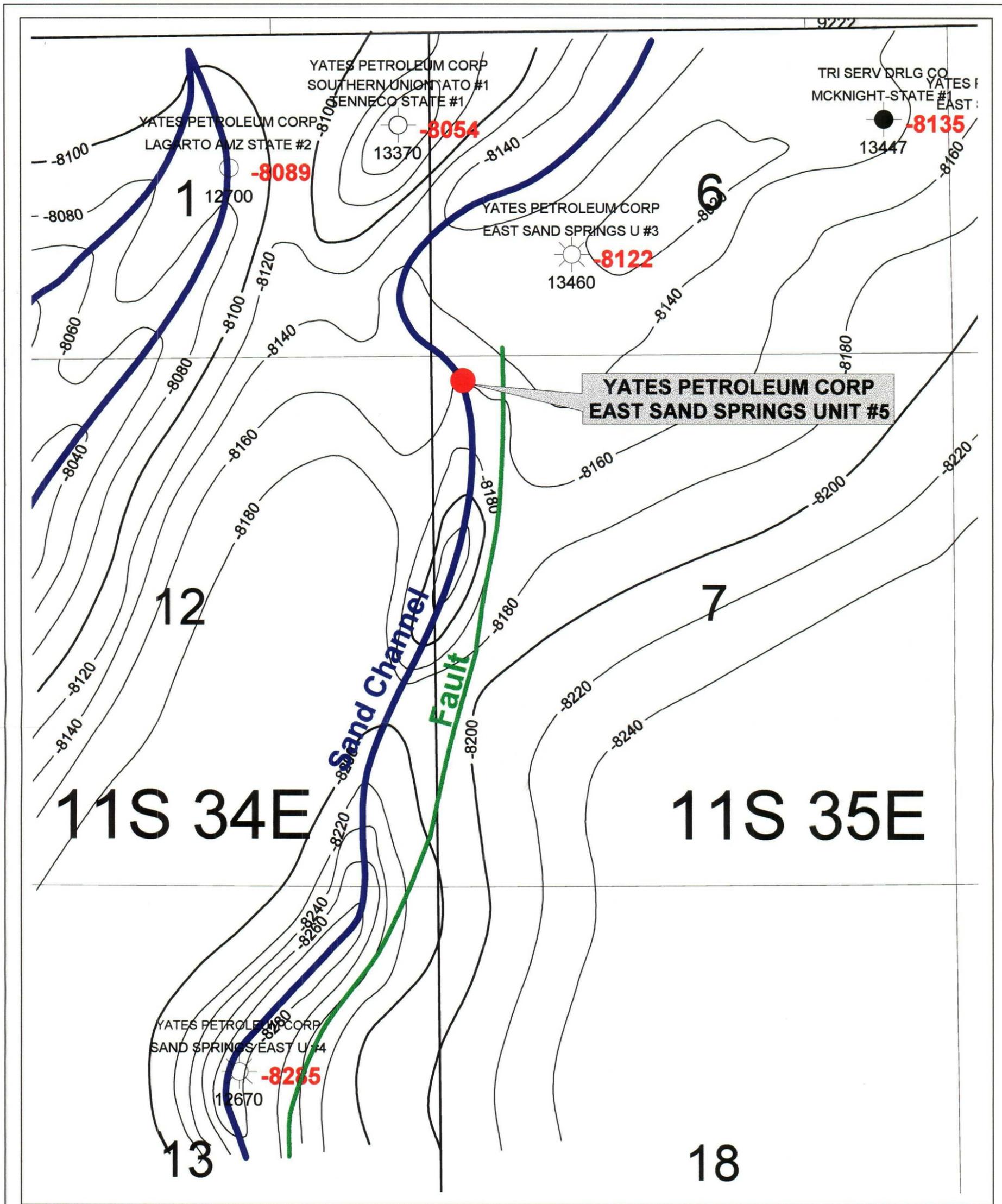


Robert Bullock
Landman

RB:bn

Enclosure(s): Exhibit A – Geologic
Exhibit B – Land Plat
Exhibit C – Offset Operator
Exhibit D – Notification
Exhibit E - AFE
Exhibit F - APD

EXHIBIT A



| | | |
|--|----------------------------|--|
| YATES PETROLEUM CORPORATION | | |
| E. SAND SPRINGS UNIT #5 LOCATION EXCEPTION Top Austin Structure Map 11S - 35E Sec 7, Lea City, NM | | |
| Author: JOHN AMIET | CI = 20' | Date: 14 June, 2004 |
| ne | Scale: 1 = 1000' | FILE: Top Austin Str 11S 34E.gmp |

A

Line:
Trace:

Section Line

2784.0
7160.0

2784.0
7180.0

2784.0
7200.0

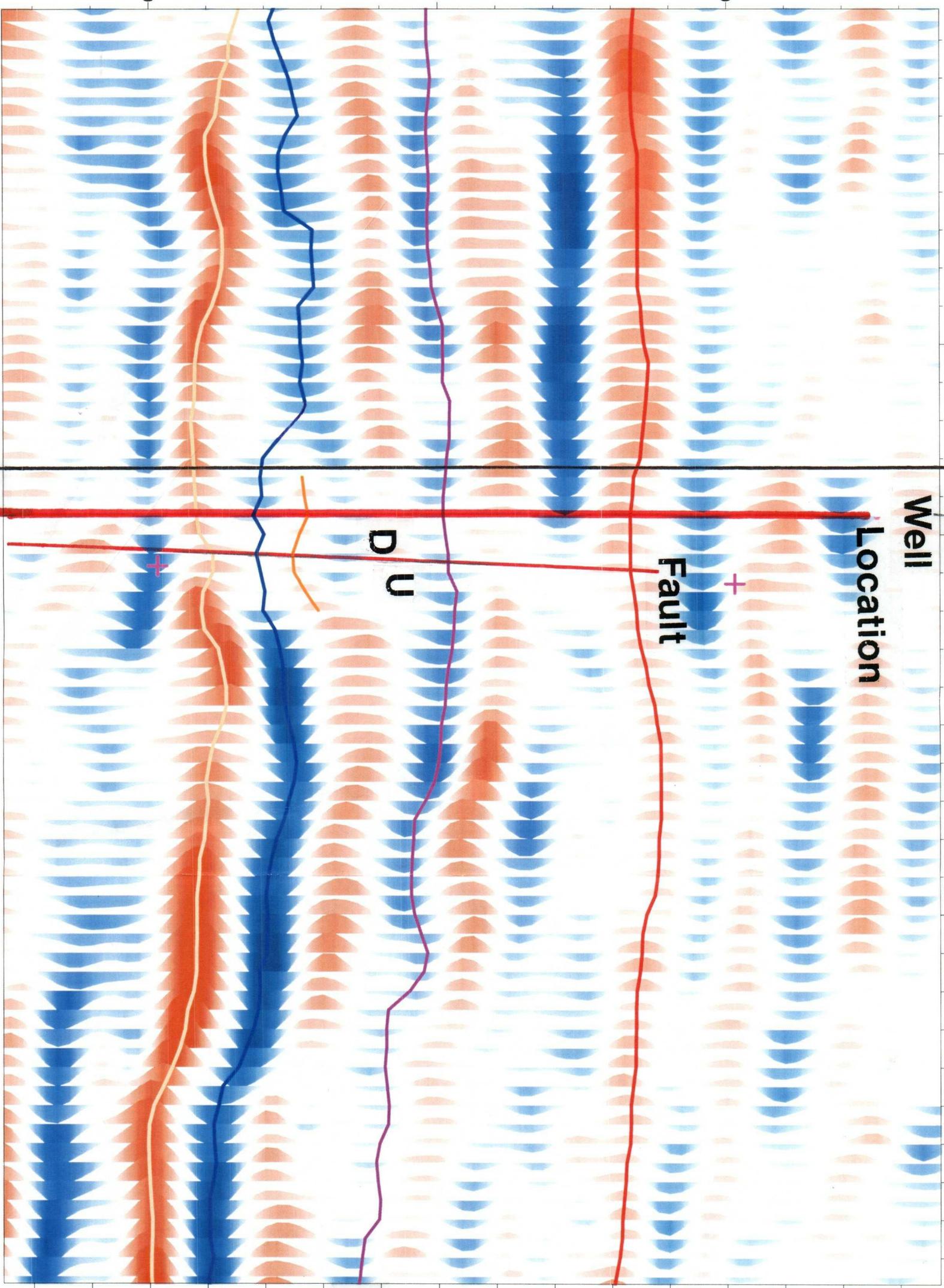
Well

Location

Fault

**D
U**

330'



1.700

1.600

1.700

1.600

Austin

MORROW

Atoka Shale

A'

EXHIBIT B

| | | | | |
|--|--|--|--|--|
| <p>(Sharbro) Yates Pet, etal 5-1-2004 V-5522 24375</p> <p>20</p> <p>BTA-2 Sunray-2 682 LTD Yates Pet, etal 2-1-2005 V-5714 1563</p> <p>Diamond & Half, Inc. (S) State</p> | <p>21</p> <p>Sunray N.M. II St. TD 10100</p> <p>State</p> | <p>22</p> <p>Yates Pet, etal 2-1-2005 V-5716 5625</p> <p>State</p> | <p>23</p> <p>Yates Pet, etal 4-1-2004 VA-1947 1719 HBU</p> <p>State</p> | <p>24</p> <p>Yates Pet, etal 4-1-2004 VA-1951 1524 HBU</p> <p>State</p> |
| <p>(Sharbro) Yates Pet, etal 2-1-2004 VA-1903 7393</p> <p>29</p> <p>Strait St. Unit</p> <p>State</p> | <p>(Sharbro) Yates Pet, etal 2-1-2004 VA-1911 1563</p> <p>28</p> <p>Tipperary State TD14034 D/A 8-30-77</p> <p>State</p> | <p>27</p> <p>Yates Pet, etal 1-1-2005 VA-2104 15627</p> <p>Diamond & Half, Inc. (S) State</p> | <p>26</p> <p>Yates Pet, etal 1-1-2005 V-5691 3122</p> <p>Yates Pet Judson St. Com (M.W.) State TD13087 (D/A 2-88) Morr. Disc</p> <p>Diamond & Half, Inc. (S) State</p> | <p>25</p> <p>Yates Pet, etal 4-1-2004 VA-1951 1524 HBU</p> <p>State, M.I. Diamond & Half (S)</p> |
| <p>(Sharbro) Yates Pet, etal 5-1-2003 V-5301 1563</p> <p>32</p> <p>"Strait St. Ut."</p> <p>State</p> | <p>(Sharbro) Yates Pet, etal V-5302</p> <p>33</p> <p>"Strait St. Ut."</p> <p>State</p> | <p>34</p> <p>Yates Pet, etal 12-1-2005 V-6057 20625</p> <p>Diamond & Half, Inc. State</p> | <p>35</p> <p>Yates Pet, etal 1-1-2006 V-6091 14375</p> <p>State Diamond & Half, Inc. (S)</p> | <p>36</p> <p>Yates Pet, etal 3-1-2004 V-5489 1563</p> <p>State, M.I. Diamond & Half (S)</p> |
| <p>Pet. Reserves 3-1-88 V-883 90.48 AC</p> <p>37</p> <p>Yates Pet, etal 10-1-90 V-1600</p> <p>Yates Pet, etal 4-ASU V-4150 Ashmun E Hillard (Trainer) (Springs) V-2452 (wo) (V) (Dev. Disc.) JIA 9-28-99</p> <p>"Sand Springs St." State</p> | <p>(Sinclair) Yates Pet, etal 840-571242 (Det. Disc.) (1.3 Mil.)</p> <p>38</p> <p>"Logarto AMZ St"</p> <p>State</p> | <p>39</p> <p>Yates Pet, etal V-1611 2</p> <p>So Union St (So Union) (Tenneco St.) TD13370</p> <p>State</p> | <p>40</p> <p>Yates Pet, etal VA-1915 V-4556</p> <p>(Chi Ener.) (Manzano) Snake Eyes SE (Tri Serv) (McKinstry-51) TD13447 (D/A 11-13-68) Abn. Disc FD's</p> <p>6</p> <p>State</p> | <p>41</p> <p>Yates Pet, etal VA-1914</p> <p>5</p> <p>Tri-Serv. E Yates St. Sand Springs State, M.I. Diamond & Half (S)</p> |
| <p>Yates Pet, etal 5-1-2003 V-5305 1563</p> <p>14</p> <p>Waylan St. Ut.</p> <p>State</p> | <p>Yates Pet, etal 5-1-2003 V-5304 1563</p> <p>Yates Pet Sand Springs E Ut</p> <p>13</p> <p>State</p> | <p>Yates Pet, etal 1-1-2000 VA-1916 1603</p> <p>7</p> <p>East Sand Springs Unit</p> <p>State</p> | <p>Yates Pet, etal 2-1-2008 V-5719 11250</p> <p>8</p> <p>State</p> | <p>Yates Pet, etal 2-1-2005 V-3718 5623</p> <p>9</p> <p>State, M.I. Diamond & Half (S)</p> |
| <p>Yates Pet, etal 5-1-2003 V-5305 1563</p> <p>15</p> <p>Waylan St. Ut.</p> <p>State, MI Boogle Ltd. (S)</p> | <p>Yates Pet, etal 5-1-2003 V-5304 1563</p> <p>16</p> <p>State, MI Boogle Ltd. (S)</p> | <p>Yates Pet, etal 3-1-2000 V-4557 1603</p> <p>18</p> <p>State</p> | <p>Yates Pet, etal 3-1-2005 VA-2136 20631</p> <p>17</p> <p>Yates Pet, etal 3-1-2005 VA-2137 24621</p> <p>State</p> | <p>Yates Pet, etal 8-1-2005 V-5906 1563</p> <p>16</p> <p>Yates Pet, etal 8-1-2005 V-5890 5123</p> <p>State</p> |
| <p>Yates Pet, etal 7-1-2004 V-5562</p> <p>So. Roy.</p> | <p>Yates Pet, etal 4-1-2001 V-4834 596</p> <p>(Smith & Assoc) Boogle Farms TD 13336 D/A 4-2-69</p> | <p>Yates Pet, etal 9-1-2007 V-6687</p> <p>Yates Pet, etal 9-1-2007 V-6686 5122</p> | <p>Yates Pet, etal 6-1-2005 V-5831</p> <p>Yates Pet, etal 2-1-2004 V-5457</p> | <p>Yates Pet, etal 2-1-2006 VA-2381 9375</p> |

Yates Pet, etal
8-1-2005
VA-2381
9375

"Royal AA"
St. Com.

Humble
new Mex
TD13342
D/A 11-8-62

SAND SPRINGS
(ADO)

EXHIBIT C

OFFSET OPERATOR

**Concho Oil & Gas Corp.
110 S. Louisiana, Suite 410
Midland, Texas 79701**

EXHIBIT D



105 South Fourth Street
Artesia, NM 88210

June 17, 2004

Concho Oil & Gas Corp.
110 W. Louisiana, Suite 410
Midland, TX 79701

Certified Mail
Return Receipt Requested

RE: Unorthodox Gas Well Location
Township 11 South, Range 35 East
Section 7: W2
Lea County, New Mexico

Gentlemen:

Enclosed is a copy of an application filed with the New Mexico Oil Conservation Division by Yates Petroleum Corporation requesting administrative approval of an unorthodox gas well location in the W2 of Section 7, T11S, R35E, Lea County, New Mexico. You own an interest in the offsetting E2 of Section 6. If you object to the well's location you must notify the Division in writing no later than twenty (20) days from receipt of this letter. Failure to object will preclude you from contesting this matter at a later date.

Thank you.

Very truly yours,

YATES PETROLEUM CORPORATION

A handwritten signature in cursive script that reads 'Robert Bullock'.

Robert Bullock
Landman

RB:bn
enclosure(s)



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210
TELEPHONE (505) 748-1471

EXHIBIT E

AUTHORITY FOR EXPENDITURE

NEW DRILLING, RECOMPLETION & RE-ENTRY

AFE NO. 04-257-0
AFE DATE 6/8/2004

AFEND (rev 9/98)

| | | | |
|--|---|---|--|
| AFE Type: | Well Objective: | Well Type: | AFE STATUS: |
| <input checked="" type="checkbox"/> New Drilling | <input type="checkbox"/> Oil | <input checked="" type="checkbox"/> Development | <input checked="" type="checkbox"/> Original |
| <input type="checkbox"/> Recompletion | <input checked="" type="checkbox"/> Gas | <input type="checkbox"/> Exploratory | <input type="checkbox"/> Revised |
| <input type="checkbox"/> Re-entry | <input type="checkbox"/> Injector | | <input type="checkbox"/> Final |
| | | | <input type="checkbox"/> Supplemental |

| | | | |
|---------------|--------------------------------------|---------------|--------------------|
| LEASE NAME | East Sand Springs State Unit #5 | PROJ'D DEPTH | 12,650' |
| COUNTY | Lea | STATE | New Mexico |
| FIELD | | HORIZON | Mississippian |
| LOCATION | Section 7 T11S-R35E, 250' N & 315' W | | |
| DIVISION CODE | 100 | DIVISION NAME | Oil & Gas Division |
| DISTRICT CODE | | DISTRICT NAME | |
| BRANCH CODE | | BRANCH NAME | |

PROGNOSIS: **New well drilled to 12,650' to test the Atoka and Morrow formations.**

| INTANGIBLE DRILLING COSTS: | | DRY HOLE | COMP'D WELL |
|--|---|----------------|------------------|
| 920-100 | Staking, Permit & Legal Fees | 1,500 | 1,500 |
| 920-110 | Location, Right-of-Way | 25,000 | 25,000 |
| 920-120 | Drilling, Footage | | |
| 920-130 | Drilling, Daywork & fuel 50 days @ \$8,900/day + \$25,000 mob | 498,000 | 498,000 |
| 920-140 | Drilling Water, Fasline Rental | 25,000 | 25,000 |
| 920-150 | Drilling Mud & Additives | 75,000 | 75,000 |
| 920-160 | Mud Logging Unit, Sample Bags | 25,000 | 25,000 |
| 920-170 | Cementing - Surface Casing | 35,000 | 35,000 |
| 920-180 | Drill Stem Testing, OHT | | |
| 920-190 | Electric Logs & Tape Copies | 75,000 | 75,000 |
| 920-200 | Tools & Equip. Rntl., Trkg. & Welding | 40,000 | 40,000 |
| 920-205 | Control of Well-Insurance | 9,000 | 9,000 |
| 920-210 | Supervision & Overhead | 30,000 | 30,000 |
| 920-230 | Coring, Tools & Service | | |
| 920-240 | Bits, Tool & Supplies Purchase | 50,000 | 50,000 |
| 920-350 | Cementing - Production Casing | | 65,000 |
| 920-410 | Completion Unit - Swabbing | | 50,000 |
| 920-420 | Water for Completion | | 20,000 |
| 920-430 | Mud & Additives for Completion | | |
| 920-440 | Cementing - Completion | | |
| 920-450 | Elec. Logs, Testing, Etc. - Completion | | 30,000 |
| 920-460 | Tools & Equip. Rental, Etc. - Completion | | 80,000 |
| 920-470 | Stimulation for Completion | | 100,000 |
| 920-480 | Supervision & O/H - Completion | | 10,000 |
| 920-490 | Additional LOC Charges - Completion | | 1,500 |
| 920-510 | Bits, Tools & Supplies - Completion | | 1,000 |
| 920-500 | Contingency for Completion | 90,000 | 160,000 |
| TOTAL INTANGIBLE DRILLING COSTS | | 978,500 | 1,406,000 |

| TANGIBLE EQUIPMENT COSTS: | | DRY HOLE | COMP'D WELL |
|---------------------------------------|-------------------------------------|------------------|------------------|
| 930-010 | Christmas Tree & Wellhead | 5,000 | 25,000 |
| 930-020 | Casing 13 3/8" @ 400' | 7,000 | 7,000 |
| | 9 5/8" @ 4,200' | 50,000 | 50,000 |
| | 5 1/2" @ 12,650' | | 110,000 |
| 930-030 | Tubing 2 7/8" @ 12,400' | | 42,500 |
| 930-040 | Packer & Special Equipment | | |
| 940-010 | Pumping Equipment | | |
| 940-020 | Storage Facilities | | 15,000 |
| 940-030 | Separation Equip., Flowlines, Misc. | | 30,000 |
| 940-040 | Trucking & Construction Costs | | 15,000 |
| TOTAL TANGIBLE EQUIPMENT COSTS | | 62,000 | 294,500 |
| TOTAL COSTS | | 1,040,500 | 1,700,500 |

APPROVAL OF THIS AFE CONSTITUTES APPROVAL OF OPERATOR'S OPTION TO CHARGE THE JOINT ACCOUNT WITH TUBULAR GOODS FROM THE OPERATOR'S WAREHOUSE STOCK AT THE RATES STATED ABOVE.

| | | |
|------------------------------|---------------------|--|
| Prepared By: Jeremiah Mullen | Operations Approval | |
|------------------------------|---------------------|--|

| | | |
|----------|------------|--|
| BY _____ | DATE _____ | |

EXHIBIT F

District I
1625 N. French Dr., Hobbs, NM 88240

District II
1301 W. Grand Ave., 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
Oil Conservation Division
1220 S. St Francis Dr.
Santa Fe, NM 87505

Form C-101
Permit 1114

APPLICATION FOR PERMIT TO DRILL

| | | |
|---|---|-----------------------|
| Operator Name and Address YATES PETROLEUM CORPORATION 105 South Fourth St. Artesia, NM 88210 | | OGRID Number 25575 |
| | | API Number |
| Property Code | Property Name EAST SAND SPRINGS UNIT | Well No. 005 |

Surface Location

| UL or Lot | Section | Township | Range | Lot Ida | Feet From | N/S Line | Feet From | E/W Line | County |
|-----------|---------|----------|-------|---------|-----------|----------|-----------|----------|--------|
| D | 7 | 11S | 35E | | 250 | N | 315 | W | Lea |

Proposed Pools

| |
|-----------------------|
| Wildcat Mississippian |
|-----------------------|

| | | | | |
|-----------------------|-------------------------|------------------------------------|---------------------|--------------------------------|
| Work Type New Well | Well Type Gas | Cable/Rotary | Lease Type State | Ground Level Elevation 4210 |
| Multiple N | Proposed Depth 12650 | Formation Mississippi Limestone | Contractor | Spud Date 06/18/2004 |

Proposed Casing and Cement Program

| Type | Hole Size | Casing Size | Casing Weight/ft | Setting Depth | Sacks of Cement | Estimated TOC |
|------|-----------|-------------|------------------|---------------|-----------------|---------------|
| Surf | 17.5 | 13.375 | 48 | 400 | 400 | 0 |
| Int1 | 12.25 | 9.625 | 40 | 4200 | 1400 | 0 |
| Prod | 8.75 | 5.5 | 17 | 12650 | 1650 | 3700 |

Casing/Cement Program: Additional Comments

Yates Petroleum Corporation proposes to drill/test the Mississippian and intermediate formations. Approximately 400' of surface casing will be cement circulated. Intermediate casing will be set @ 4200', cement circulated to the surface. If commercial, production casing will be run/cemented; will perforate/stimulate as needed for production. MUD PROGRAM: 0-400' - FW/Spud Mud; 400' - 2170' - Fresh Water; 2170' - 4200' - Red Bed Mud/Oil; 4200' - 7700' - Cut Brine; 7700' - 11590' Salt Gel/Oil; 11590' - 12000' - SWGel/Starch; 12000' - TD SW/Starch/4%-6%KCL. No H2S Anticipated.

Proposed Blowout Prevention Program

| Type | Working Pressure | Test Pressure | Manufacturer |
|------------|------------------|---------------|--------------|
| Double Ram | 5000 | 5000 | |

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

Electronically Signed By: Debbie Caffall

Title: Regulatory Technician

Date: 06/17/2004

Phone: 505-748-4364

OIL CONSERVATION DIVISION

Electronically Approved By:

Title:

Approval Date:

Expiration Date:

Conditions of Approval:
No Conditions

District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Ave., 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
Oil Conservation Division
1220 S. St Francis Dr.
Santa Fe, NM 87505

Form C-102
Permit 1114

WELL LOCATION AND ACREAGE DEDICATION PLAT

| | | |
|--------------------|--|-------------------|
| API Number | Pool Name Wildcat Mississippian | Pool Code |
| Property Code | Property Name EAST SAND SPRINGS UNIT | Well No. 005 |
| OGRID No. 25575 | Operator Name YATES PETROLEUM CORPORATION | Elevation 4210 |

Surface And Bottom Hole Location

| | | | | | | | | | |
|---------------------------|--------------|-----------------|--------------|--------------------|------------------|---------------|------------------|---------------|---------------|
| UL or Lot D | Section 7 | Township 11S | Range 35E | Lot Idn | Feet From 250 | N/S Line N | Feet From 315 | E/W Line W | County Lea |
| Dedicated Acres 302.76 | | Joint or Infill | | Consolidation Code | | Order No. | | | |

| | | | |
|-------------------------------------|--|--|--|
| <input checked="" type="checkbox"/> | | | |
| | | | |
| | | | |
| | | | |

| |
|--|
| <p align="center">OPERATOR CERTIFICATION</p> <p><i>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</i></p> <p>Electronically Signed By: Debbie Caffall Title: Regulatory Technician Date: 06/17/2004</p> |
| <p align="center">SURVEYOR CERTIFICATION</p> <p><i>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 supervision, and that the same is true and correct to the best of my belief.</i></p> <p>Surveyed By: Herschel Jones Date of Survey: 06/16/2004 Certificate Number: 3640</p> |

FROM : GENERAL SURVEYING Co
 DISTRICT I
 1000 N. French Dr., Hobbs, NM 88240
 DISTRICT II
 811 South First, Artesia, NM 88210
 DISTRICT III
 1000 Rio Grande Rd., Aztec, NM 87410
 DISTRICT IV
 2040 South Pacheco, Santa Fe, NM 87508

FAX NO. : 5053930023
 STATE UTILITIES BOARD
 Energy, Minerals and Natural Resources Department

Jun. 16 2004 02:33PM P1
 Revised March 17, 1999
 Instruction on back
 Submit to Appropriate District Office
 State Lease - 4 Copies
 Fee Lease - 2 Copies

OIL CONSERVATION DIVISION
 P.O. Box 2088
 Santa Fe, New Mexico 87504-2088

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

| | | |
|---------------------|---|------------------------------------|
| API Number | Pool Code | Pool Name Wildcat Mississippian |
| Property Code | Property Name EAST SAND SPRINGS STATE UNIT | Well Number 5 |
| OCRID No. 025575 | Operator Name YATES PETROLEUM CORPORATION | Elevation 4210 |

Surface Location

| UL or lot No. | Section | Township | Range | Lot 1/4 | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| D | 7 | 11S | 35E | | 250 | NORTH | 315 | WEST | LEA |

Bottom Hole Location if Different From Surface

| UL or lot No. | Section | Township | Range | Lot 1/4 | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| | | | | | | | | | |

| Dedicated Acres | Joint or In/Full | Consolidation Code | Order No. |
|-----------------|------------------|--------------------|-----------|
| 302.76 W/2 | | | |

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

| | | | |
|--|---------|--|--|
| | VA-1316 | OPERATOR CERTIFICATION | |
| | 35.68 | I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief. | |
| | 35.69 | Signature Clifton R. May Printed Name Regulatory Agent Title June 16, 2004 Date | |
| | 35.69 | SURVEYOR CERTIFICATION | |
| | 35.7 | I hereby certify that the well location shown on this plat was plotted from field notes of actual traverse made by me or under my supervision, and that the same is true and correct to the best of my belief. | |

Date Surveyed
 6/16/2004
 Signature & Seal of Professional Surveyor

 Certificate No. Herschel L. Jones, RLS 3640
 EAST SAND SPRINGS 5
 GENERAL SURVEYING COMPANY



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

State of New Mexico
Energy Minerals and Natural Resources

Form C-144
March 12, 2004

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

For drilling and production facilities, submit to appropriate NMOCD District Office.
For downstream facilities, submit to Santa Fe office

Pit or Below-Grade Tank Registration or Closure

Is pit or below-grade tank covered by a "general plan"? Yes No
Type of action: Registration of a pit or below-grade tank Closure of a pit or below-grade tank

Operator: Yates Petroleum Corporation Telephone: (505) 748-4347 e-mail address: debbiec@ypcnm.com
Address: 105 South 4th Street, Artesia, NM 88210
Facility or well name: East Sand Springs Unit #5 API #: _____ U/L or Qtr/Qtr D Sec 7 T 11S R 35E
County: Lea Latitude N32.3869 Longitude W103.4501 NAD: 1927 1983 Surface Owner Federal State Private Indian

Pit Type: Drilling Production Disposal
Workover Emergency
Lined Unlined
Liner type: Synthetic Thickness 20 mil
Clay Volume 20,000 bbl

Below-grade tank
Volume: _____ bbl Type of fluid: _____
Construction material: _____
Double-walled, with leak detection? Yes If not, explain why not.

| | | |
|---|---|---|
| Depth to ground water (vertical distance from bottom of pit to seasonal high water elevation of ground water.) | Less than 50 feet | (20 points) |
| | 50 feet or more, but less than 100 feet | (10 points) |
| | 100 feet or more | (0 points) |
| Wellhead protection area: (Less than 200 feet from a private domestic water source, or less than 1000 feet from all other water sources.) | Yes | (20 points) |
| | <input checked="" type="checkbox"/> No | (0 points) |
| Distance to surface water: (horizontal distance to all wetlands, playas, irrigation canals, ditches, and perennial and ephemeral watercourses.) | Less than 200 feet | (20 points) |
| | 200 feet or more, but less than 1000 feet | (10 points) |
| | <input checked="" type="checkbox"/> 1000 feet or more | (0 points) |
| Ranking Score (Total Points) | | <input checked="" type="checkbox"/> 20 Points |

If this is a pit closure: (1) attach a diagram of the facility showing the pit's relationship to other equipment and tanks. (2) Indicate disposal location: onsite offsite If offsite, name of facility _____ (3) Attach a general description of remedial action taken including remediation start date and end date. (4) Groundwater encountered: No Yes If yes, show depth below ground surface _____ ft. and attach sample results. (5) Attach soil sample results and a diagram of sample locations and excavations.

I hereby certify that the information above is true and complete to the best of my knowledge and belief. I further certify that the above-described pit or below-grade tank has been/will be constructed or closed according to NMOCD guidelines , a general permit , or an (attached) alternative OCD-approved plan .

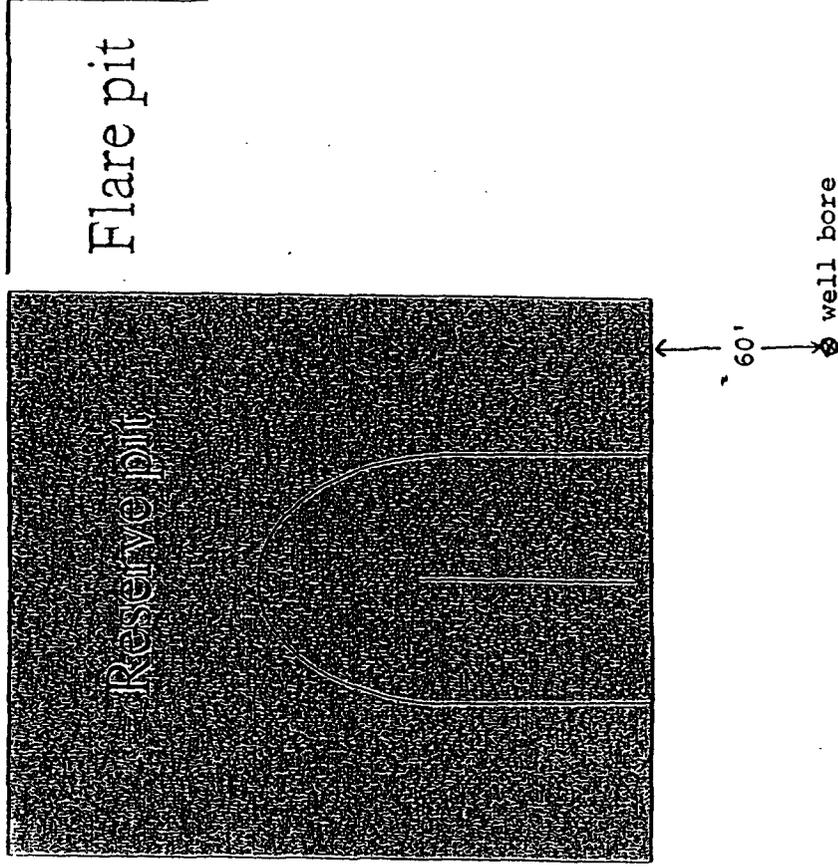
Date: June 17, 2004
Printed Name/Title Clifton R. May/Regulatory Agent Signature Clifton R. May

Your certification and NMOCD approval of this application/closure does not relieve the operator of liability should the contents of the pit or tank contaminate ground water or otherwise endanger public health or the environment. Nor does it relieve the operator of its responsibility for compliance with any other federal, state, or local laws and/or regulations.

Approval:
Date: _____
Printed Name/Title _____ Signature _____

SAND SPRINGS STATE UNIT #5
YATES PETROLEUM CORPORATION
General Plan was approved 4/15/04

The reserve pit will be to the North.
The Southeast Corner of the pit will
be approximately 60' North of the well
bore. The pit will be a 150' X 150'
and 5' deep with a capacity of 20,000
bbls.



Standard reserve pit. All Reserve pits are double
Horse shoe size varies with depth of well