

**N.M. Oil Cons. DIV-Dist. 2**  
 UNITED STATES  
 DEPARTMENT OF THE INTERIOR  
 BUREAU OF LAND MANAGEMENT  
**1301 W. Grand Avenue**  
**Artesia, NM 88210**

FORM APPROVED  
 OMB NO. 1004-0135  
 Expires January 31, 2004

**SUNDRY NOTICES AND REPORTS ON WELLS**

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

**SUBMIT IN TRIPLICATE - Other instructions on reverse side**

1. Type of Well <input type="checkbox"/> Oil Well <input type="checkbox"/> Gas Well <input checked="" type="checkbox"/> Other		5. Lease Serial No. <b>NM 022535</b>
2. Name of Operator <b>Kerr-McGee Oil &amp; Gas Onshore LLC</b>		6. If Indian, Allottee or Tribe Name
3a. Address <b>16666 Northchase, Houston TX 77060-6001</b>	3b. Phone No. (include area code) <b>281 673-6590</b>	7. If Unit or CA/Agreement, Name and/or No.
4. Location of Well (Footage, Sec., T., R., M., or Survey Description) <b>SEC 18 T 21S R 23E 2050 FSL &amp; 1850 FEL</b>		8. Well Name and No. <b>FEDERAL 28 234</b>
		9. API Well No. <b>015-33402, 33256, 31180</b>
		10. Field and Pool, or Exploratory Area <b>INDIAN BASIN UPPER PENN</b>
		11. County or Parish, State <b>EDDY NM</b>

**RECEIVED**  
**JUN 23 2004**

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

TYPE OF SUBMISSION	TYPE OF ACTION			
<input type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize	<input type="checkbox"/> Deepen	<input type="checkbox"/> Production (Start/Resume)	<input type="checkbox"/> Water Shut-Off
<input checked="" type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Fracture Treat	<input type="checkbox"/> Reclamation	<input type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete	<input type="checkbox"/> Other _____
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input checked="" type="checkbox"/> Water Disposal	

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


BY WATER DISPOSAL AGREEMENT BETWEEN KERR MCGEE OIL & GAS ONSHORE LLC AND YATES PETROLEUM CORPORATION, IT IS AGREED UPON TO DISPOSE OF PRODUCED WATER FROM THE KERR MCGEE OIL & GAS ONSHORE LLC OPERATED WELLS AS FOLLOWS: **FEDERAL 28-2, FEDERAL 28-3 & FEDERAL 28-4 UNDER LEASE # NM 022535 INTO THE BUNNELL FEDERAL #3 SWD WELL.**

ALL WATER IS TO BE MEASURED AND ALLOCATED BACK TO THE WELL WHICH PRODUCED THE WATER ON A MONTHLY BASIS.

WATER STORAGE ON THE FEDERAL 28 LEASE IS 1000 BBLs CAPACITY. WATER IS PUMPED TO THE BUNNELL FEDERAL #3 WELL FOR DISPOSAL. AVERAGE DAILY AMOUNT OF WATER DISPOSED IS 1000 - 1100 BBLs.

FLOW OF WATER IS CONTROLLED BY HIGH LEVEL ALARMS AND SHUT DOWN INSTRUMENTS TO ELIMINATE ANY OVERFLOW OR SPILL AT THE FEDERAL 28 FACILITY.

**APPROVAL SUBJECT TO  
 GENERAL REQUIREMENTS AND  
 SPECIAL STIPULATIONS ATTACHED**

14. I hereby certify that the foregoing is true and correct Name (Printed/Typed) <b>ROD L. BAILEY</b>	Title <b>MANAGER OF PRORATIONS</b>
	Date <b>6/15/04</b>

**THIS SPACE FOR FEDERAL OR STATE OFFICE USE**

Approved by <b>(ORIG. S&amp;D.) ALEXIS C. SWOBODA</b>	Title <b>PETROLEUM ENGINEER</b>	Date <b>JUN 22 2004</b>
Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.		