



New Mexico Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

John H. Bemis
Cabinet Secretary-Designate

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

Jami Bailey
Division Director
Oil Conservation Division



December 21, 2012

30-015-40986

BUREAU OF LAND MANAGEMENT
ATT: Potash
620 E Greene Street
Carlsbad, NM 88220

STATE LAND OFFICE
ATT: Joe Mraz
PO BOX 1148
Santa Fe, NM 87505

DAN FUQUA

2012 DEC 28 AM 7:33

RE: APPLICATION FOR PERMIT TO DRILL IN POTASH AREA

OPERATOR: **Yates Petroleum Corporation**

LEASE NAME: **Hombre BRH State Com**

PROPOSED LOCATION: **SHL Lot P Sec 24 T21S R31E; 770' FSL 330' FEL**
BHL Lot J Sec 23 T21S R31E; 1980' FSL 2310' FEL

PROPOSED DEPTH: **TVD 8,000' MD 13,665'**

Gentleman:

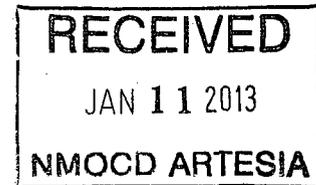
The application for permit to drill identified above has been filed with this office of the New Mexico Oil Conservation Division. Pursuant to the provisions of Oil Conservation Division Order R - 111 - P, please advise this office whether the location is within an established Life-of-Mine-Reserve are filed with and 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

Randy Dade
Randy Dade
Supervisor, District II



RESONSE:

The above referenced location is in LMR (2011 year) ----- Yes _____ No X

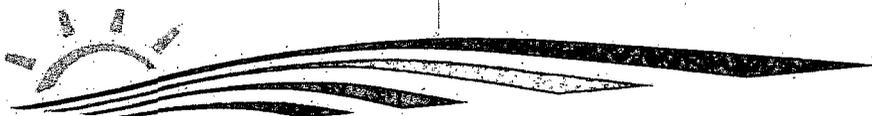
The above referenced location is within the Buffer Zone ----- Yes _____ No X

Signed *DAN FUQUA*

Printed Signature DAN FUQUA

Representing _____





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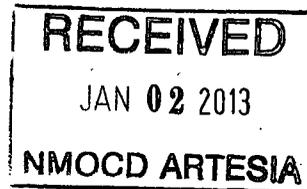
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Very truly yours,

THE PROPOSED LOCATION WOULD BE DRILLED FROM THE "WOLF" OJA No. 7 FEDERAL DRILL ISLAND.

OIL CONSERVATION DIVISION

Randy Dade
Randy Dade
Supervisor, District II

RESONSE:

The above referenced location is in LMR (2012 year) ----- Yes No

The above referenced location is within the Buffer Zone ----- Yes No

Signed _____

Printed Signature JAMES S. PURLEY 12-31-2012

Representing BLM-CFO



Shapard, Craig, EMNRD

From: Travis Hahn <THahn@yatespetroleum.com>
Sent: Monday, January 14, 2013 2:38 PM
To: Shapard, Craig, EMNRD
Subject: RE: Hombre BRH State Com #1H

T. C.,
We spoke with the BLM, and we came to the conclusion we only need to file this well with you at the OCD. We did file the number #2H with the BLM and it has been approved. The #1H will drill from the same pad as the #2H but only be State minerals.
Travis

From: Shapard, Craig, EMNRD [<mailto:craig.shapard@state.nm.us>]
Sent: Monday, January 14, 2013 2:28 PM
To: Travis Hahn
Subject: RE: Hombre BRH State Com #1H

Travis,
Do not have any documentation from the BLM.

From: Travis Hahn [<mailto:THahn@yatespetroleum.com>]
Sent: Monday, January 14, 2013 1:42 PM
To: Shapard, Craig, EMNRD
Subject: Hombre BRH State Com #1H

T. C.,
I noticed that this well was rejected because it is in the LMR and buffer zone area. But our SHL is outside that area, and the BLM has approved of multiple location in the same area because of an agreement we have in place with the Mining Company and the BLM. Please let me know what steps I need to take in order to have this well approved? Thanks!

Thank you

Travis Hahn
Yates Petroleum Corporation
Land Regulatory Agent
575-748-4120

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