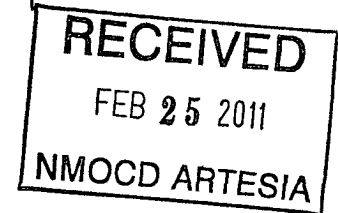


30-015-38541



Yates Petroleum Corporation

**105 S. Fourth Street
Artesia, NM 88210**

Hydrogen Sulfide (H₂S) Contingency Plan

For

**Slalom BPZ Federal #1H
2130' FSL and 330' FEL
Section 13, T18S,-R29-E
Eddy County, NM**

Emergency Procedures

In the case of a release of gas containing H₂S, the first responder(s) must isolate the area and prevent entry by other persons into the 100 ppm ROE. Additionally the first responder(s) must evacuate any public places encompassed by the 100 ppm ROE. First responder(s) must take care not to injure themselves during this operation. Company and/or local officials must be contacted to aid in this operation. Evacuation of the public should be beyond the 100 ppm ROE.

All responders must have training in the detection of H₂S, measures for protection against the gas, equipment used for protection and emergency response. Additionally, responders must be equipped with H₂S monitors and air packs in order to control the release. Use the "buddy system" to ensure no injuries during the response.

Ignition of Gas Source

Should control of the well be considered lost and ignition considered, take care to protect against exposure to Sulfur Dioxide (SO₂). Intentional ignition must be coordinated with the NMOCD and local officials. Additionally the NM State Police may become involved. NM State Police shall be the Incident Command on scene of any major release. Take care to protect downwind whenever there is an ignition of the gas

Characteristics of H₂S and SO₂

Common Name	Chemical Formula	Specific Gravity	Threshold Limit	Hazardous Limit	Lethal Concentration
Hydrogen Sulfide	H ₂ S	1.189 Air = 1	10 ppm	100 ppm/hr	600 ppm
Sulfur Dioxide	SO ₂	2.21 Air = 1	2 ppm	N/A	1000 ppm

Contacting Authorities

YPC personnel must liaison with local and state agencies to ensure a proper response to a major release. Additionally, the OCD must be notified of the release as soon as possible but no later than 4 hours. Agencies will ask for information such as type and volume of release, wind direction, location of release, etc. Be prepared with all information available. The following call list of essential and potential responders has been prepared for use during a release. YPC Company response must be in coordination with the State of New Mexico's 'Hazardous Materials Emergency Response Plan' (HMER)

Yates Petroleum Corporation Phone Numbers

YPC Office	(575) 748-1471
Paul Ragsdale/Operations Manager	(575) 748-4520
Wade Bennett/Prod Superintendent	(575) 748-4236
LeeRoy Richards/Assistant Prod Superintendent	(575) 748-4228
Mike Larkin/Drilling	(575) 748-4222
Paul Hanes/Prod. Foreman/Roswell	(575) 624-2805
Tim Bussell/Drilling Superintendent	(575) 748-4221
Artesia Answering Service	(575) 748-4302
(During non-office hours)	

Agency Call List

Eddy County (575)

Artesia

State Police	746-2703
City Police.....	746-2703
Sheriff's Office	746-9888
Ambulance.....	911
Fire Department.....	746-2701
LEPC (Local Emergency Planning Committee)	746-2122
NMOCD.....	748-1283

Carlsbad

State Police	885-3137
City Police.....	885-2111
Sheriff's Office.....	887-7551
Ambulance.....	911
Fire Department.....	885-2111
LEPC (Local Emergency Planning Committee).....	887-3798
US Bureau of Land Management.....	887-6544
New Mexico Emergency Response Commission (Santa Fe)	(505)476-9600
24 HR	(505) 827-9126
New Mexico State Emergency Operations Center.....	(505) 476-9635
National Emergency Response Center (Washington, DC)(800) 424-8802

Other

Boots & Coots IWC	1-800-256-9688 or (281) 931-8884
Cudd Pressure Control.....	(915) 699-0139 or (915) 563-3356
Halliburton	(575) 746-2757
B. J. Services.....	(575) 746-3569

Flight For Life -4000 24th St, Lubbock, TX	(806) 743-9911
Aerocare -Rr 3 Box 49f , Lubbock, TX	(806) 747-8923
Med Flight Air Amb 2301 Yale Blvd SE #D3, Albuq, NM	(505) 842-4433
S B Air Med Svc 2505 Clark Carr Loop SE, Albuq, NM	(505) 842-4949

MULTI-POINT SURFACE USE AND OPERATIONS PLAN
YATES PETROLEUM CORPORATION
Slalom "BPZ" Federal #1H
2130' FSL & 330' FEL, Surface Hole Location
1980' FSL & 330' FWL, Bottom Hole location
Section 13-T18S-R29E
Eddy County, New Mexico

This plan is submitted with Form 3160-3, Application for Permit to Drill, covering the above described well. The purpose of this plan is to describe the location of the proposed well, the proposed construction activities and operations plan, the magnitude of the surface disturbance involved and the procedures to be followed in rehabilitating the surface after completion of the operations, so that a complete appraisal can be made of the environmental effect associated with the operations.

1. EXISTING ROADS:

Exhibit A is a portion of the BLM map showing the well and roads in the vicinity of the proposed location. The proposed well site is located approximately 6 miles south of Loco Hills, New Mexico and the access route to the location is indicated in red and green on Exhibit A.

DIRECTIONS: From Loco Hills at the junction of Highway 82 and County Road 217. Go southwest on 217 for approximately 3 miles. Turn left on County Road 216, General American Road and go south for approximately 2.7 miles to Sand Tank '18' Federal #1 well location, The new access road will start here going west from the Sand Tank location for approximately 0.2 of a mile to the northeast corner of the proposed location.

2. PLANNED ACCESS ROAD:

- A. The proposed new access will be approximately 0.2 of a mile in length from the point of origin to the northeast corner of the drilling pad.
- B. The new road will be 14 feet in width (driving surface) and will be adequately drained to control runoff and soil erosion.
- C. The new road will be bladed with drainage on both sides. One traffic turnouts may be needed.
- D. The route of the road is visible.
- E. Existing roads will be maintained in the same or better condition.

3. LOCATION OF EXISTING WELL:

- A. There is drilling activity within a one-mile radius of the well site.
- B. Exhibit D shows existing wells within a one-mile radius of the proposed well site

4. LOCATION OF EXISTING AND/OR PROPOSED FACILITIES:

- A. There are no production facilities on this lease at the present time.
- B. In the event that the well is productive, the necessary production facilities will be installed on the drilling pad. If the well is productive oil, a gas or diesel self-contained unit will be used to provide the necessary power until an electric line can be built, if needed.

5. LOCATION AND TYPE OF WATER SUPPLY:

- A. It is planned to drill the proposed well with a brine water system. The water will be obtained from commercial sources and will be hauled to the location by truck over the existing and proposed roads shown in Exhibit A.

6. SOURCE OF CONSTRUCTION MATERIALS:

The dirt contractor will be responsible for finding a source of material for construction of road and pad and will obtain any permits that may be required.

7. METHODS OF HANDLING WASTE DISPOSAL:

- A. This well will be drilled with a closed loop system
- B. The closed loop system will be constructed, maintained, and closed in compliance with the State of New Mexico, Energy and Natural Resources Department, Oil Conservation Division – the “Pit Rule” 19.15.17 NMAC.
- C. Drilling fluids will be removed after drilling and completions are completed.
- D. Water produced during operations will be collected in tanks until hauled to an approved disposal system, or separate disposal application will be submitted.
- E. Oil produced during operations will be stored in tanks until sold.
- F. Current laws and regulations pertaining to the disposal of human waste will be complied with.
- G. All trash, junk, and other waste materials will be contained in trash cages or bins to prevent scattering and will be removed and deposited in an approved sanitary landfill. Burial on site is not approved.

8. ANCILLARY FACILITIES: NONE

9. WELLSITE LAYOUT:

- A. Exhibit C shows the relative location and dimensions of the well pad, the reserve pits, the location of the drilling equipment, pulling unit orientation and access road approach. Note: Pits to north.
- B. The closed loop system will be constructed, maintained, and closed in compliance with the State of New Mexico, Energy and Natural Resources Department, Oil Conservation Division – the “Pit Rule” 19.15.17 NMAC.
- C. A 600’ x 600’ area has been staked and flagged.

10. PLANS FOR RESTORATION:

- A. After finishing drilling and/or completion operations, all equipment and other material not needed for further operations will be removed. The location will be cleaned of all trash and junk to leave the well site in as aesthetically pleasing a condition as possible.
- B. Unguarded pits, if any, containing fluids will be fenced until they have dried and have been leveled.
- C. If the proposed well is plugged and abandoned, all rehabilitation and/or vegetation requirements of the Bureau of Land Management will be complied with and will be accomplished as expeditiously as possible

11. SURFACE OWNERSHIP:

Surface Owner: Federal surface administered by the Carlsbad Bureau of Land Management.

Mineral Owner: Federal minerals supervised by the BLM Carlsbad Field Office .

12. OTHER INFORMATION:

- A. The primary use of the surface is for grazing.
- B. Refer to the archaeological report for a description of the topography, flora, fauna, soil characteristics, dwellings, and historical and cultural sites.

YATES PETROLEUM CORPORATION
Slalom "BPZ" Federal #1H
2130' FSL & 330' FEL, Surface Hole
1980' FSL & 330' FWL, Bottom Hole
Section 13-T18S-R29E
Eddy County, New Mexico

Plans for Interim and Final Surface Reclamation.

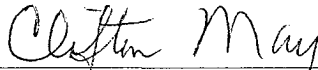
1. Well location will be contoured to resemble the original topography as closely as possible. Surface reclamation measures will be taken to avoid new erosion on the well location and the area surrounding the well location. These measures will be overseen by Yates' personnel following a structured plan for the reclamation of each individual site.
2. Major drainage systems will be avoided as determined at the onsite with the BLM. Minor drainages may be rerouted around the well site within the 600' x 600' cleared area to avoid moving the well location.
3. Segregation of topsoil or like soils will be placed in low lift rows rather than in a stockpile just off the caliche well pad. Placement of these lift rows will be determined at the BLM onsite or at the time of construction by Yates Personnel.
4. Yates will use prudent oil field practices when constructing well locations and related facilities. Yates personnel will determine the size of the well location needed for safe working conditions for personnel during all aspects on the drilling and production process.
5. Back fill requirements for above ground reserve pits will be met by using cut, fill, and contouring of available top soil and like soils from the pit area. Should additional material be needed it will be brought in from a BLM approved source.
6. All topsoil will be spread over the area reclaimed during interim reclamation using a front end loader. For final reclamation enough topsoil will be evenly distributed between the interim reclaimed area and the final reclaimed area. This method of soil stabilization should help maintain the productivity and viability of the topsoil.
7. Soil treatments will be determined at the time of final reclamation by Yates' Environmental Specialist or other designated personnel to meet BLM final reclamation goals.
8. Reseeding of disturbed areas will be accordance with the seed mixtures attached to the approved APD as Conditions of Approval. Planting and soil preparation will be done during the rainy season between June 1st and September 1st.
9. Yates' personnel will control weeds during the productive period through final abandonment of the well. Yates may also use the option to hire a third party to be in charge of weed control or participate in the Chaves Soil and Water District program to pool monies for weed control.
10. Well pads, roads and related facilities with caliche or other surfacing material will be picked up or turned over at the time of final abandonment. These materials may be used on other projects in the area if possible or placed back in the caliche pit or other designated site. Buried pipelines will be left in place after being bled down and purged. Above surface support equipment will be removed or cut down below plow depth and removed. Pipeline right-of-ways will be reseeded according to BLM Best Management Practices.

CERTIFICATION
YATES PETROLEUM CORPORATION

I hereby certify that I, or someone under my direct supervision, have inspected the drill site and access route proposed herein; that I am familiar with the conditions which currently exist; that I have full knowledge of state and federal laws applicable to this operation; that the statements made in this APD package are, to the best of my knowledge, true and correct; and that the work associated with the operations proposed herein will be performed in conformity with this APD package and the terms and conditions under which it is approved. I also certify that the company I represent, is responsible for the operations conducted under this application. These statements are subject to the provisions of 18 U.S.C. 1001 for the filing of false statements.

Executed this 4th day of November, 2010.

Printed Name Clifton May

Signature 

Position Title Land Regulatory Agent

Address 105 South Fourth Street, Artesia, NM 88210

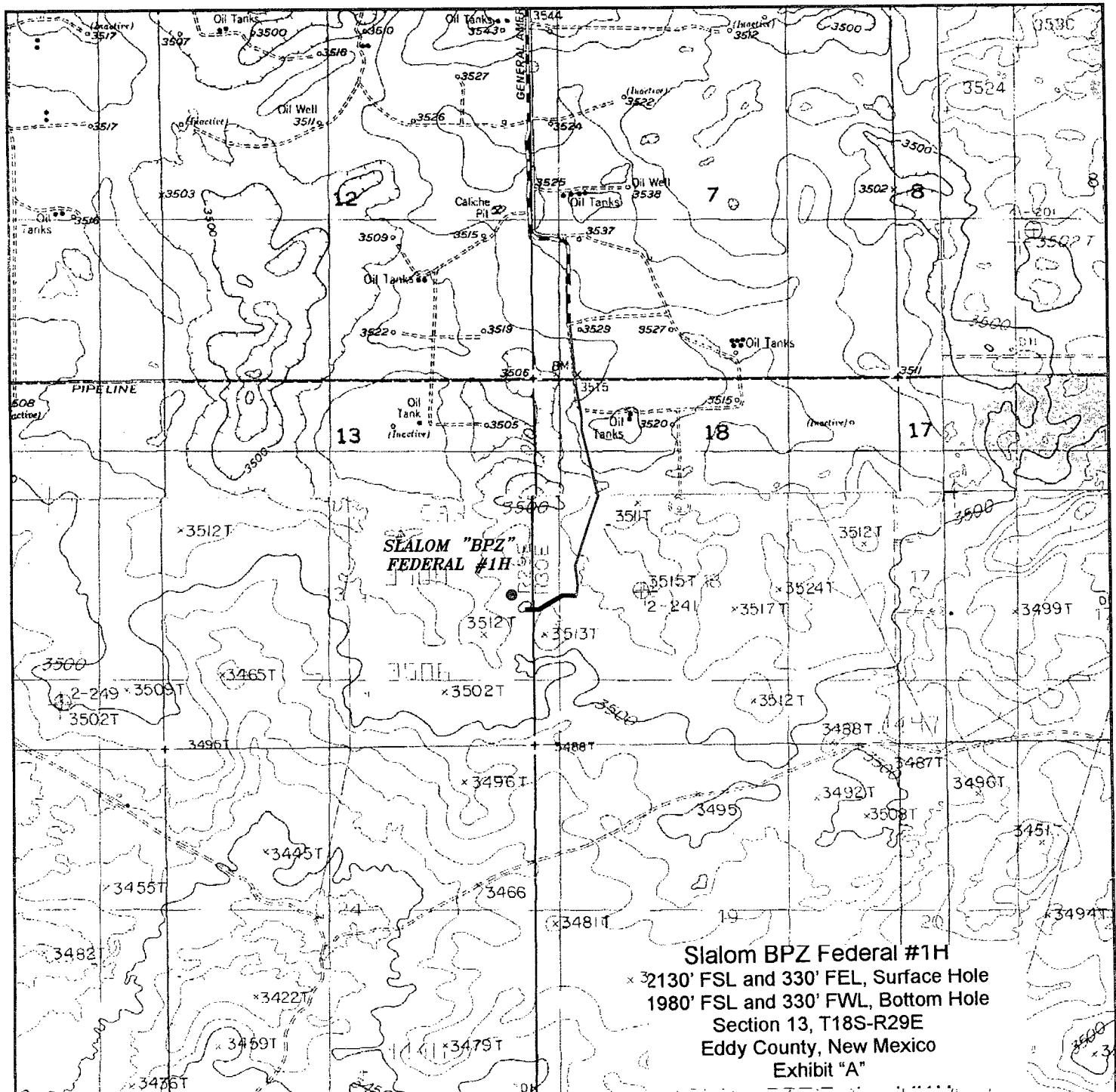
Telephone 575-748-4347

E-mail (optional) cliff@ypcnm.com

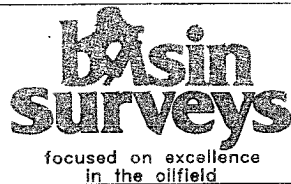
Field Representative (if not above signatory) Tim Bussell

Address (if different from above) Same

Telephone (if different from above) 575-748-4221



SLALOM "BPZ" FEDERAL #1H
 Located 2130' FSL and 330' FEL
 Section 13, Township 18 South, Range 29 East,
 N.M.P.M., Eddy County, New Mexico.



P.O. Box 1786
 1120 N. West County Rd.
 Hobbs, New Mexico 88241
 (575) 393-7316 - Office
 (575) 392-2206 - Fax
 basinsurveys.com

W.O. Number: BJJ 23425

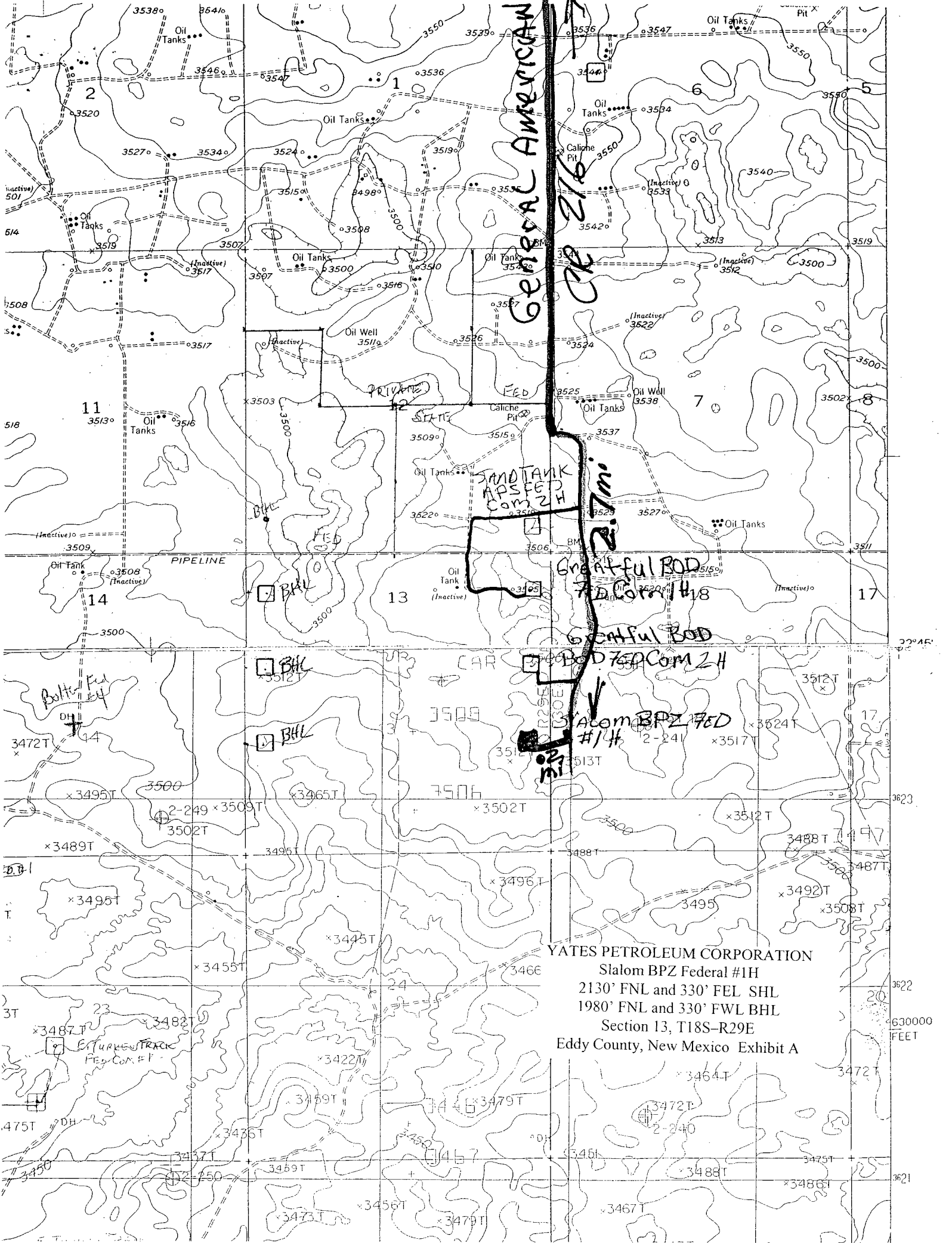
Survey Date: 09-20-2010

Scale: 1" = 2000'

Date: 10-01-2010



**YATES
 PETROLEUM
 CORP.**



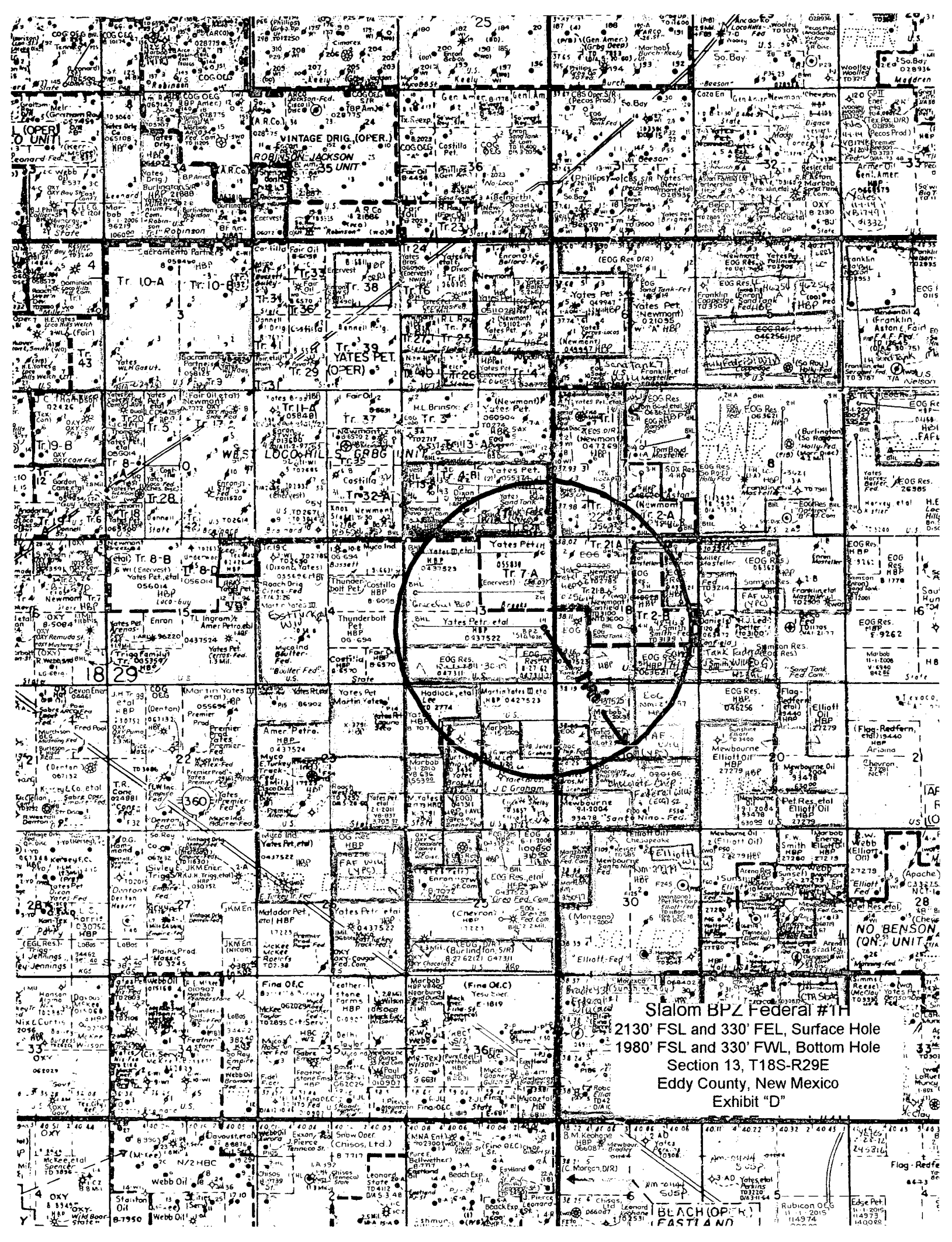
GENERAL AMERICAN
CR 216

SAND TANK
APSEFD
Com 2H

Greatful BOB
7th Com #18
Greatful BOB
7th Com #18
Acom BPZ 7ED
#1H (2-24)

YATES PETROLEUM CORPORATION
Slalom BPZ Federal #1H
2130' FNL and 330' FEL SHL
1980' FNL and 330' FWL BHL
Section 13, T18S-R29E
Eddy County, New Mexico Exhibit A

630000
FEET

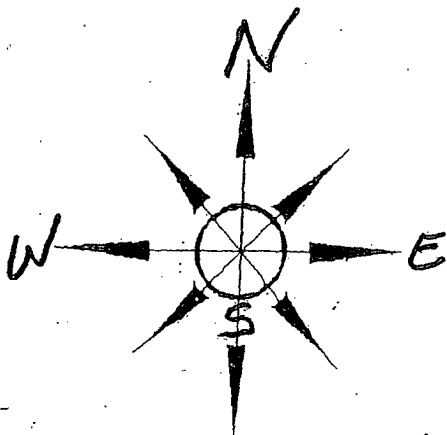


Slalom BPZ Federal #1H
2130' FSL and 330' FEL, Surface Hole
1980' FSL and 330' FWL, Bottom Hole
Section 13, T18S-R29E
Eddy County, New Mexico
Exhibit "D"

**BLACH (OPER.)
FASTLAND**

Flag-Redfe

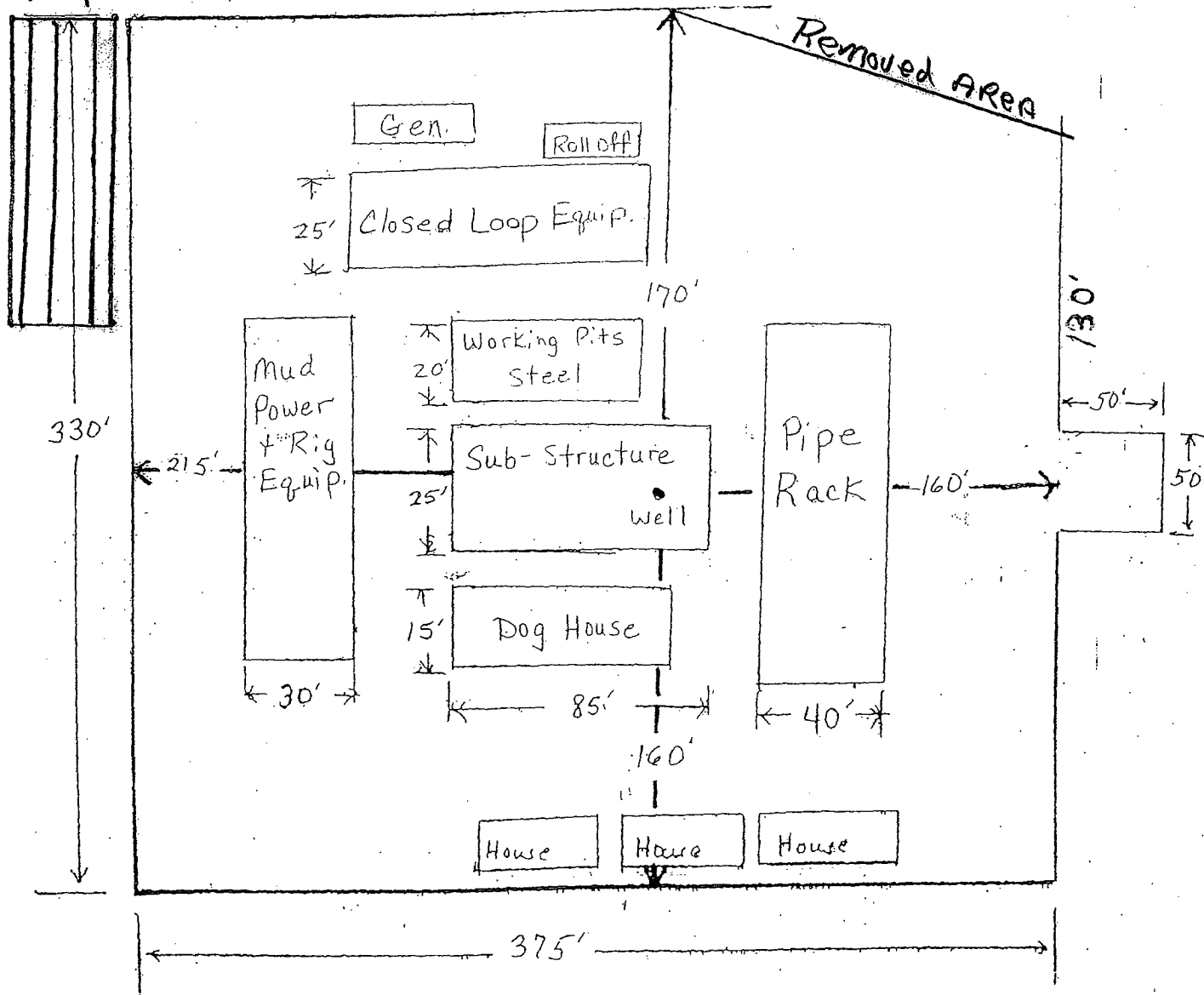
Received 2-7-11 YDJ



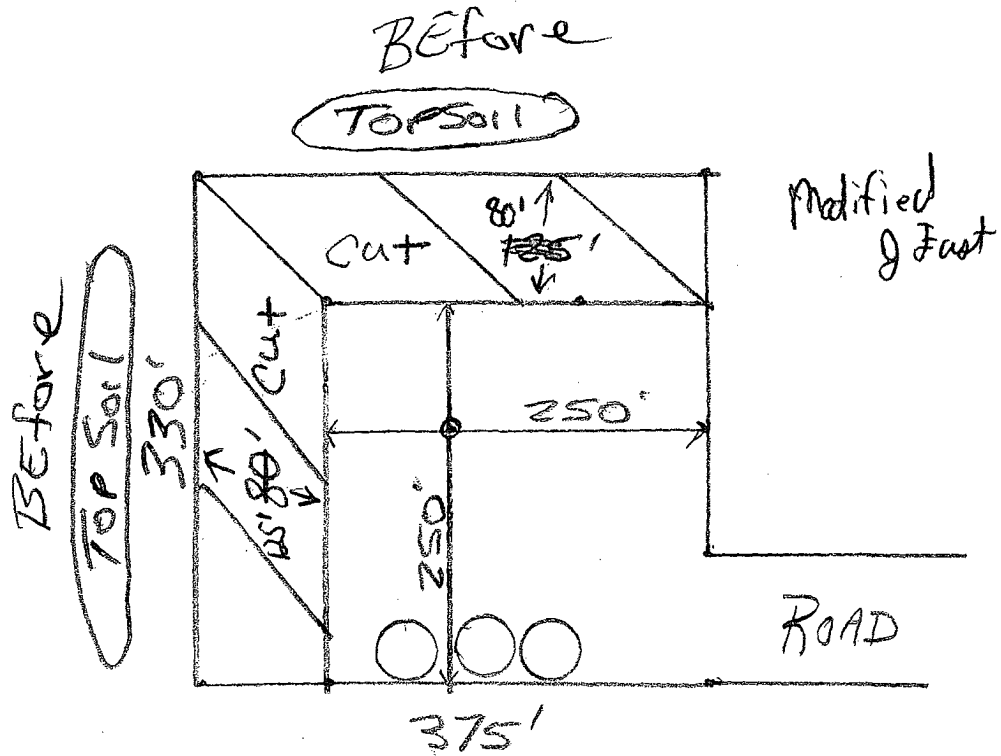
Yates Petroleum Corporation Location Layout for Permian Basin

Slatom BPZ Federal #1H
2130' FSL and 330' FEL, Surface Hole
1980' FSL and 330' FWL, Bottom Hole
Section 13, T18S-R29E
Eddy County, New Mexico

160' x 40' Area may be needed for Drill pipe storage.
Pipe will be placed on ground or on Drill pipe maybe placed on caliche strips. Fork lift will come from east to pick up pipe.
Closed Loop Design Plan
* NOT TO SCALE



YATES PETROLEUM CORPORATION
Slalom BPZ Federal #1H
2130' FNL and 330' FEL SHL
1980' FNL and 330' FWL BHL
Section 13, T18S-R29E
Eddy County, New Mexico



Not To Scale
Exhibit may change
After Final Reclamation

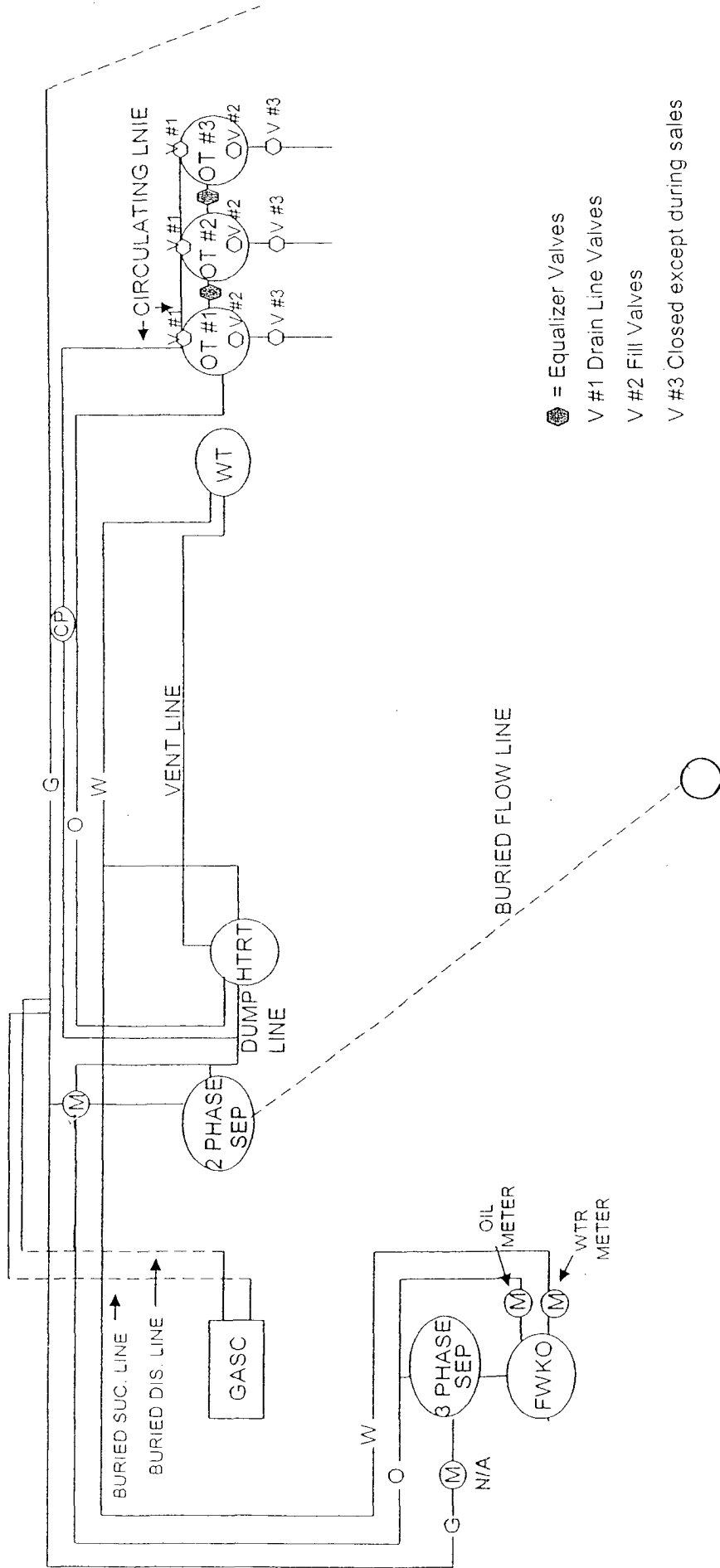
Replaced
Top Soil
Area



105 South 4th Street, Artesia, NM 88210
 (575)-748-1471

-Danny Matthews
 June, 2010

Slalom BPZ Federal #1H
 2130' FSL and 330' FEL, Surface Hole
 1980' FSL and 330' FWL, Bottom Hole
 Section 13, T18S-R29E
 Eddy County, New Mexico
 Exhibit "E"



- ◊ = Equalizer Valves
- V #1 Drain Line Valves
- V #2 Fill Valves
- V #3 Closed except during sales